



DEPARTMENT OF
FINANCE

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February 1, 2005

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Joint Legislative Budget Committee
Senate Budget and Fiscal Review Committee

Honorable John Laird, Chair
Assembly Budget Committee

Honorable Carole Migden, Chair
Senate Appropriations Committee

Honorable, Judy Chu, Chair
Assembly Appropriations Committee

Final Report—Office of Criminal Justice Planning Accounting Reconstruction and Review of Federal Grant Requirements

Enclosed is the final report required by Chapter 44, Statutes of 2004 (SB 23) on the accounting reconstruction and grant activities related to the abolishment of the Office of Criminal Justice Planning. The Department of Finance, Office of State Audits and Evaluations, performed these non-audit services in accordance with an interagency agreement with the Governor's Office of Emergency Services (OES).

Due to the extensive accounting record reconstruction required, complexity of the accounting issues, significant number of staff required to complete the work, and delays in appropriating the funds required to complete the project, an interim report was issued on October 1, 2004. This final report includes the results of the entire project.

We appreciate the assistance and cooperation of the OES and Board of Corrections staff in completing the accounting reconstruction and compliance work for related grant activities. If you have any questions, please contact Kimberly Tarvin, Manager, Mary Camacho, Supervisor, or Carla Cordero, Supervisor, at (916) 322-2985.

Sincerely,

Original Signed By:

Samuel E. Hull, Chief
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Enclosure

cc: On following page

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A SPECIAL REPORT

Final Report on the Office of Criminal Justice Planning Accounting Reconstruction and Review of Federal Grant Requirements

Prepared By:
Office of State Audits and Evaluations
Department of Finance

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PREFACE

Pursuant to section 25.00 of the 2003 Budget Act, on October 1, 2003, the Department of Finance (DOF) submitted an interim plan for the abolishment of the Office of Criminal Justice Planning (OCJP) to the Joint Legislative Budget Committee. The interim plan redirected OCJP programs to the Governor's Office of Emergency Services (OES) and the Board of Corrections (BOC), and required a closure audit to be conducted by DOF.

As part of the transfer process for the federal grant awards, expenditure reports certified for correctness by OES staff were due to the federal awarding agencies. However, because of weaknesses identified in the accounting records transferred to OES from OCJP, the OES staff could not certify the accuracy of the information. This resulted in the federal agencies freezing the federal funding. In May 2004, the federal agencies agreed to provide interim funding on the condition that the accounting records be accurately reconstructed.

The Governor approved Senate Bill 23 (SB 23) on May 27, 2004, which reappropriated state funds for payments to subrecipients and extended the expenditure period to June 30, 2005. Additionally, SB 23 included a provision that \$1,130,000 of the reappropriated funds be used for the purpose of performing accounting workload associated with grant activities for the programs transferred from the abolished OCJP to OES and BOC.

Due to the extensive accounting record reconstruction required, significant number of staff required to complete the work, and delays in appropriating funds required to complete the project, an interim report was issued to the Joint Legislative Budget Committee on October 1, 2004. This final report includes the results of the entire project.

This report is intended for the information and use of the Joint Legislative Budget Committee, Senate Appropriations Committee, DOF, OES, and BOC; and is not intended to be and should not be used by anyone other than the specified parties. However, the report is a matter of public record and its distribution is not limited.

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EXECUTIVE SUMMARY

Pursuant to section 25.00 of the 2003 Budget Act, the Department of Finance (DOF) submitted an interim plan for the abolishment of the Office of Criminal Justice Planning (OCJP) to the Joint Legislative Budget Committee on October 1, 2003. The interim plan transferred the Public Safety and Victims' Services programs to the Governor's Office of Emergency Services (OES) and the Juvenile Justice programs to the Board of Corrections (BOC). Additionally, the interim plan required a closure audit to be conducted by DOF. Accordingly, DOF's Office of State Audits and Evaluations (OSAE) began preliminary work for the closure audit in December 2003.

The scope of the closure audit included determining the federal grant ending balances, available state appropriations, the related liabilities to subrecipients, and whether any corrective actions were required to resolve any outstanding audit findings related to the transferred OCJP programs. Preliminary meetings with representatives at OES and BOC revealed that incomplete and erroneous accounting records were transferred to OES and BOC. Additionally, the OES and BOC representatives expressed significant concerns related to program compliance requirements. Due to the condition of the accounting records, OSAE determined that a closure audit was not possible.

As part of the transfer process for the federal grant awards, expenditure reports certified for correctness by OES staff were due to the federal awarding agencies. Because of weaknesses identified in the accounting records transferred to OES from OCJP, the OES staff could not certify the accuracy of the information. This resulted in the federal agencies freezing the federal funding. In May 2004, the federal agencies agreed to provide interim funding on the condition that the accounting records be accurately reconstructed.

The Governor approved Senate Bill 23 (SB 23) on May 27, 2004, which reappropriated state funds for payments to subrecipients and extended the expenditure period of these funds to June 30, 2005. Additionally, SB 23 included a provision that \$1,130,000 of the reappropriated funds be used for the purpose of performing accounting workload associated with grant activities for the programs transferred from the abolished OCJP to OES and BOC.

Per an interagency agreement with OES, OSAE agreed to perform specific non-audit services related to the accounting records and federal grant compliance concerns. In order to accomplish the accounting reconstruction and compliance objectives, OSAE staff categorized the work into the following key areas:

- Accounting Reconstruction
- Federal and State Grant Revenues and Liabilities
- Compliance with Federal Grant Requirements
- Desk Reviews of Subrecipient Audit Reports

During the project, OSAE staff encountered significant challenges in the accounting reconstruction and compliance efforts which include the following:

- Number of funds and accounts requiring reconstruction;
- Incomplete and inaccurate accounting records;
- Missing supporting documentation and other records;
- Significant differences between the OCJP, federal agencies, and State Controller's Office's records;
- Complex accounting issues;
- Requirement for the completion of the accounting reconstruction work in order to determine the subrecipient liabilities;
- Requirement to perform desk reviews of subrecipient audit reports to support subrecipient expenditures and evaluate match compliance for 1,030 grants;
- Lack of access to former OCJP fiscal staff who originally created the documents;
- Apparent intentional manipulation of records by OCJP staff; and
- Disorganized condition of the records transferred from OCJP to OES.

OSAE staff developed alternative procedures to mitigate the effects of these constraints and complete the project. However, the effects of some constraints listed above, such as missing documentation, is not known.

Accounting Reconstruction

As a result of the accounting reconstruction, OSAE staff recommended to OES management numerous entries to correct the accounting records which will require a significant amount of OES staff resources. Some of the items OSAE staff identified include the following:

- Over \$23 million in adjustments to five funds for amounts identified when OCJP's records were reconciled to the State Controller's Office's (SCO) records;
- Over \$3 million in accumulated unrecorded entries for Plans of Financial Adjustments;
- The Office Revolving Fund (ORF) has not been reimbursed for 73 percent of the expense advances. Some of these advances have been outstanding for over five years;
- Travel advances recorded in the ORF (81 percent) were unsupported or the documentation did not support the recorded balance;
- Monthly bank reconciliations were not completed by OCJP since July 2002 which included approximately 1,200 uncorrected reconciling items;
- OCJP routinely encumbered the entire appropriation at the end of each fiscal year and awarded funds to the subrecipients based on funds available from various unreverted appropriations;
- Cash disbursements of \$5,147,000 were unrecorded;
- Cash receipts of \$2,837,000 were unrecorded;
- Accounts receivables totaling \$1,023,000 (27 percent) have been outstanding for over seven years;
- Accounts receivables totaling \$1,331,000 (36 percent) were unsupported;
- Unrecorded transfers from the Special Deposit Fund to the Federal Trust Fund totaled \$21,371,000; and
- Federal funds were inaccurately recorded in the SCO records.

Because the recommended adjustments both increase and decrease the various accounts, the net adjustment of all the changes is not material to the accounting records as a whole. However, the weaknesses to the individual accounts are significant and require correction. See Appendix A for a schedule of the original balances, adjustments, and adjusted balances.

Federal and State Grant Revenues and Liabilities

Based on discussions with various staff at the OES and the BOC, and OSAE staff's review of the accounting records, it appears that the OCJP awarded subrecipients funds appropriated to previous years without the authority to do so. Senate Bill 23 officially reappropriated the previous years' state funding to the current year allowing OES to use these funds to pay subrecipients. Although the previous years' funding was reallocated, it was unclear whether this funding would be sufficient to meet the subrecipient obligations transferred to OES. Therefore, OES requested that OSAE staff:

- Determine whether federal grants transferred to OES and BOC were appropriately closed out and reopened.
- Evaluate the balances of federal grants and transferred state funds to determine whether the opening balances are sufficient to meet liabilities due to the subrecipients.

Based on the various procedures performed, OSAE staff determined the following:

- The Juvenile Justice programs transferred to BOC included funding from 11 federal grants with initial award amounts totaling approximately \$112,039,000. Of these, 4 grants were permanently closed because the project period of the funds had expired, and 7 had available balances totaling \$37,897,000. With respect to these grants, the BOC submitted final Financial Status Reports to the federal awarding agency, settled the variances reported within the Financial Status Reports, and subsequently applied to have the grant awards opened with the remaining balances.
- The Public Safety and Victims' Services programs transferred to OES included funding from 28 federal grants, 6 awards of pass-through funding, and 32 state funded programs. Initial awards for the federal and pass-through programs totaled \$480,128,000. Spending authority for the state funded programs for July 1, 2000 through December 31, 2003 totaled \$322,491,000. The OES was unable to certify the accuracy of the financial data required to complete the federal Financial Status Reports because of the recordkeeping weaknesses of OCJP. Therefore, grants could not be closed out until the accounting reconstruction work was completed. Appendix B summarizes this information.
- Based on the accounting reconstruction, OSAE staff determined whether sufficient federal and state funding exists to pay the current grantee obligations. As of December 31, 2003, the state local assistance spending authority for the 2002-03 Victim Witness Assistance Fund (8100-101-0425), the 2002-03 High Technology Theft Apprehension and Prosecution Program Trust Fund (8100-101-0597) and the 2003-04 General Fund (8100-101-0001) appropriations were over-obligated. In addition, it appears that OCJP both over-expended and over-obligated the funds associated with federal award 2001-VA-GX-0006.

While performing the analysis required for the above objectives, OSAE staff also noted the following issues:

- SCO's draw down amounts per their Catalog of Federal Domestic Assistance (CFDA) numbers are inaccurate because OCJP staff requested draws of federal funds, but directed SCO to record these amounts to incorrect CFDA numbers. However, the total

federal draws received per federal draw records varied less than one percent when compared with the total SCO draws recorded. Therefore, OSAE staff relied upon the federal record of draws.

- Significant differences exist between the subrecipient award amounts per the grant award documents and the amounts recorded in CALSTARS. Additionally, OCJP did not have official award documents to support all award amounts recorded in CALSTARS. The difference between the award amounts per the grant award documents and CALSTARS was approximately \$746,000. OSAE staff relied upon the grant award documents to determine the grant awards.
- A disallowance by the federal agencies of \$2,230,000 is at risk due to the lack of an approved indirect cost rate proposal (ICRP). OCJP had prepared an ICRP, submitted the ICRP to DOF for approval, but for undetermined reasons did not submit the ICRP to its cognizant federal agency.
- Based on available records, OSAE staff could not determine with certainty that support costs were correctly allocated. In addition, based on analytical procedures performed, OCJP exceeded the federal cap for support costs for two programs. The final determination of penalties, if any, depends upon the negotiations between OES and the federal agencies.
- OSAE staff identified individual grant awards where draws exceeded expenditures, as well as awards where expenditures exceeded actual draws. Thus overall, for certain programs, overdraws were offset by excess expenditures. As of December 31, 2003, OSAE determined that draws of federal funds exceeded expenditures in the Public Safety Division by \$750,000. In the Victims' Services Division, federal draws exceeded expenditures by \$575,000. Additionally, pass-through funding received exceeded expenditures by \$720,000. The schedule for Juvenile Justice programs indicates an excess of draws in the amount of \$17,044,000. However, all awards for the Juvenile Justice programs were subsequently closed and the majority of this amount was refunded back to the awarding federal agency. The remaining balance consists of program income.

Compliance with Federal Grant Requirements

OSAE staff identified certain areas of federal grant compliance that could cause a fiscal impact to the State. Specifically, the compliance work is organized into two broad categories:

(1) OCJP's compliance as a direct recipient of federal grant funds, and (2) OCJP's compliance as the administrative agent over funds awarded to subrecipients.

OCJP's Compliance as a Direct Recipient of Federal Grant Funds

To evaluate OCJP's compliance as a direct recipient of federal grant funds, OSAE staff determined OCJP's compliance with matching requirements, eligibility requirements, support costs, and fund allocation. OSAE staff determined that OCJP complied with the federal matching requirements, made funds available to eligible subrecipients, and allocated funds among targeted groups in accordance with federal program guidelines.

However, as noted above, \$2,230,000 is at risk of disallowance by the federal agencies due to the lack of an approved indirect cost rate proposal (ICRP) which OCJP had prepared but not submitted to its cognizant federal agency. In addition, OSAE staff could not determine with certainty that support costs were correctly allocated. In addition, based on analytical procedures performed, OCJP exceeded the federal cap for support costs for two programs.

The final determination of penalties, if any, depends upon the negotiations between OES and the federal agencies.

OCJP's Compliance as the Administrative Agent over Funds Awarded to Subrecipients

To evaluate OCJP's compliance as the administrative agent over funds awarded to subrecipients, OSAE staff reviewed OCJP's compliance with matching, eligibility, subrecipient funding period, and program compatibility requirements. OSAE staff determined the following:

- OCJP met the subrecipient eligibility, funding period, and program compatibility requirements.
- OCJP's strategy for meeting the matching requirements is sufficient except that OCJP elected to use a matching methodology for the Family Violence Program (FVPS) that did not comply with federal requirements. It should be noted that this methodology has been elected and is in use by several other states. OES is currently negotiating with the federal agency regarding the match calculated per OCJP's methodology.

Desk Reviews of Subrecipient Audit Reports

The desk reviews of the audit reports submitted by the subrecipients indicate that the expenditures were incurred, matching expenditures were required, and the subrecipients are generally in compliance with the program requirements. Specifically, the desk review process identifies any discrepancies in expenditures or matching funds claimed by subrecipients. The OES Internal Audit Unit staff issue follow-up letters to the subrecipients either accepting the audit report or requesting additional documentation to resolve any reporting discrepancies or findings. OES will need to determine organizationally how it wishes to address the resolution of the audit findings and questioned costs since the Audit Resolution Unit, which previously performed this function, was eliminated as of January 1, 2004.

Conclusions

In order to correct the accounting records and address the identified compliance issues, OES staff should complete the following tasks:

- Review the recommended California State Accounting and Reporting System (CALSTARS) accounting adjustments and determine whether transactions subsequent to December 31, 2003 affect the recommended entries.
- Enter the transactions required to update the accounting records in CALSTARS.
- Send letters to the subrecipients with reporting discrepancies identified during the desk reviews requesting additional information, evaluate any information received, and determine whether any of the discrepancies should be invoiced and classified as accounts receivables.
- Require the subrecipients to resolve any compliance findings or questioned costs reported by the certified public accountants.
- Communicate with the applicable federal agencies to resolve any outstanding issues or concerns.

While performing the above procedures, OSAE staff identified the following additional recommendations:

- Require the OES Internal Audit Unit to report directly to the Chief Deputy Director or Director to ensure that any audit findings are reported to the appropriate level within OES and are timely addressed. This will allow the Internal Audit Unit to meet the

independence requirements of the Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors.

- Request the OES Internal Audit Unit to perform internal control audits as required by the Financial Integrity and State Managers Act of 1983 (FISMA). FISMA requires that an internal control audit be completed every two years with the report submitted to OSAE no later than December 31 of each odd-numbered year.

This report is intended for the information and use of the Joint Legislative Budget Committee, Senate Appropriations Committee, DOF, OES, and BOC; and is not intended to be and should not be used by anyone other than the specified parties. However, the report is a matter of public record and its distribution is not limited.

BACKGROUND

With crime rates climbing in the 1960s, federal policy makers sought to address the root causes of crime including poverty, ignorance, and hopelessness rather than deal with the effects. The Omnibus Crime Control and Safe Streets Act of 1968 required state criminal justice and human service plans to be integrated, with particular attention to programs for youth and educational and training services. The federal Juvenile Delinquency Prevention and Control Act of 1968 contained similar provisions.

Anticipating the federal legislation, the Legislature enacted the Deukmejian-Moretti Act of 1967, which created the California Council on Criminal Justice (CCCJ) to administer the federal grants and satisfy other provisions of federal law. Within a couple of years, the CCCJ had difficulty meeting the needs of California's communities. In response to the criticisms, the Office of Criminal Justice Planning (OCJP) was created in 1973 to administer grants and perform the federally mandated strategic planning. OCJP was placed outside of the agency structure, with the executive director appointed by, and reporting to, the Governor. Regional and judicial planning entities were also refined and created.

Over the years, other federal and state programs were created to counter the latest public safety concerns, including crime and violence prevention, services to victims and witnesses, and anti-drug and gang intervention efforts. As OCJP's portfolio of programs continued to grow, it administered over 70 programs. In fiscal year 2002-03, OCJP's budget appropriation included \$188.3 million in federal funds and \$89.2 million in state funds, for a total of \$277.5 million. Of the \$277.5 million, over \$250 million was appropriated for grants. In addition to distributing grants, the office was charged with providing technical assistance to grant recipients, coordinating state and local crime reduction efforts, and developing a comprehensive crime reduction plan.

In recent years, OCJP had fallen under criticism for failure to exert statewide leadership, having an excessively political executive team, structural deficiencies, and poor business practices. Section 25.00 of the 2003 Budget Act specified that the OCJP be abolished to achieve efficiencies in the administration and implementation of criminal justice programs. As a result, Chapter 229, Statutes of 2003 (Assembly Bill 1757) abolished the OCJP on January 1, 2004.

Pursuant to section 25.00 of the 2003 Budget Act, on October 1, 2003, the Department of Finance (DOF) submitted an interim plan for the abolishment of OCJP to the Joint Legislative Budget Committee. The interim plan redirected the Public Safety and Victims' Services programs to the Governor's Office of Emergency Services (OES) and the Juvenile Justice programs to the Board of Corrections (BOC). Additionally, the interim plan required a closure audit to be conducted by DOF. Accordingly, DOF's Office of State Audits and Evaluations (OSAE) began preliminary work for the closure audit in December 2003.

The scope of the closure audit included determining the federal grant ending balances and related liabilities to subrecipients, and whether any corrective actions were required to resolve any outstanding audit findings related to the transferred OCJP programs. However, preliminary meetings with representatives at OES and BOC revealed that incomplete and erroneous accounting records were transferred to OES and BOC. Additionally, the OES and BOC representatives expressed significant concerns related to program compliance requirements. Due to the condition of the accounting records, OSAE determined that a closure audit was not possible.

As part of the transfer process for the federal grant awards, expenditure reports certified for correctness by OES staff were due to the federal awarding agencies. However, because of the weaknesses identified in the accounting records transferred to OES from OCJP, the OES staff could not certify the accuracy of the information. This resulted in the federal agencies freezing the federal funding. In May 2004, the federal agencies agreed to provide interim funding on the condition that the accounting records be accurately reconstructed.

Per an interagency agreement with OES, OSAE agreed to perform specific non-audit services related to the accounting records and federal grant compliance concerns. In order to accomplish the accounting reconstruction and compliance objectives, OSAE staff categorized the work into the following key areas:

- Accounting Reconstruction
- Federal and State Grant Revenues and Liabilities
- Compliance with Federal Grant Requirements
- Desk Reviews of Subrecipient Audit Reports

Upon the signing of SB 23, OSAE hired 17 retired annuitants to work solely on this project. With the retired annuitants and OSAE staff, up to 46 individuals were assigned to the accounting reconstruction and compliance work. Significant challenges encountered in the accounting reconstruction and compliance efforts include the following:

- Number of funds and accounts requiring reconstruction
- Incomplete and inaccurate accounting records
- Missing supporting documentation and other records
- Significant differences between the OCJP, federal agencies, and State Controller's Office's records
- Complex accounting issues
- Requirement for the completion of the accounting reconstruction work in order to determine the subrecipient liabilities
- Requirement to perform desk reviews of subrecipient audit reports to support subrecipient expenditures and evaluate match compliance for 1,030 grants
- Lack of access to former OCJP fiscal staff who originally created the documents
- Apparent intentional manipulation of records by OCJP staff
- Disorganized condition of the records transferred from OCJP to OES

OSAE staff developed alternative procedures to mitigate the effects of these constraints and complete the project. However, the effects of some constraints listed above, such as missing documentation, is not known.

This report presents the results of the accounting reconstruction and the review of federal grant compliance requirements.

SCOPE AND METHODOLOGY

Senate Bill 23 allocated \$1,130,000 for the performance of accounting work associated with the grant activities related to the January 1, 2004 abolishment of the Office of Criminal Justice Planning (OCJP). The Governor's Office of Emergency Services (OES) engaged the Department of Finance, Office of State Audits and Evaluations (OSAE), to complete this work through an interagency agreement. Specifically, OES requested that OSAE reconstruct the erroneous and incomplete accounting records and evaluate certain compliance requirements related to the Public Safety and Victims' Services programs transferred from OCJP to OES on January 1, 2004. Pursuant to this interagency agreement, OSAE agreed to perform the following non-audit services:

- Determine whether selected grant and accounting information was appropriately and accurately transferred from OCJP to OES and the Board of Corrections (BOC). For inaccurate accounts transferred to OES, reconstruct the accounting balances.
- Determine whether federal grants transferred to OES and BOC were appropriately closed out and reopened.
- Evaluate balances of federal grants and transferred state funds to determine whether the opening balances are sufficient to meet liabilities due to the subrecipients.
- Evaluate OCJP's compliance with federal requirements as a direct recipient of grant funds in the following areas: (1) matching expenditures, (2) fund availability to eligible subrecipients, (3) support costs, and (4) fund allocation among targeted groups of subrecipients.
- Review OCJP's compliance with federal requirements as the administrative agent over funds awarded to subrecipients, including: (1) matching expenditures, (2) subrecipient eligibility, (3) funding period for grants, and (4) program compatibility of subrecipient funding sources with federal program purposes.

In order to accomplish the accounting reconstruction and compliance objectives, OSAE categorized the work into the following key areas. The specific steps performed and results are presented within the applicable category in this report. For presentation purposes, all amounts are rounded to the nearest thousands.

- Accounting Reconstruction
- Federal and State Grant Revenues and Liabilities
- Compliance with Federal Grant Requirements
- Desk Reviews of Subrecipient Audit Reports

Executive Orders EO 03/04-45 and EO 03/04-58 allocated \$95,791,000 and \$17,474,000 for local assistance, and \$8,061,000 and \$576,000 for support to OES and BOC, respectively. Because BOC received only 15 percent of the allocation and related programs, and these programs contained only federal funds provided by one federal agency, the BOC was able to resolve the issues it identified. Additionally, BOC had staff resources available to evaluate compliance concerns. Since all OCJP funds within the California State Accounting and Reporting System (CALSTARS) were transferred to OES, the BOC did not specifically require assistance with accounting reconstruction of the records.

ACCOUNTING RECORD RECONSTRUCTION

Based on discussions with the Governor's Office of Emergency Services (OES) and Board of Corrections' (BOC) representatives, the accounting records transferred from the Office of Criminal Justice Planning (OCJP) to OES and BOC contained significant weaknesses. Specifically, the accounting records were inaccurate, incomplete, and unsupported. The inaccuracies were so significant that OES cannot close the 2003-04 state fiscal year-end accounting records until the accounting record reconstruction is complete and OES makes the necessary adjustments to the accounting records.

Structure of the OCJP Accounting Records Transferred

The accounting records transferred from OCJP to OES include the following funds and fund numbers:

- General Fund (0001)
- Asset Forfeiture Distribution Fund (0196)
- Rural Health Care Equity Trust Fund (0197)
- Local Prosecutors/Defenders Training Fund (0241)
- Peace Officers Training Fund (0268)
- Victim Witness Assistance Fund (0425)
- Hazardous Waste Enforcement Training Fund (0430)
- High Technology Theft Apprehension and Prosecution Program Trust Fund (0597)
- Public Building Construction Fund (0660)
- Federal Trust Fund (0890)
- State Penalty Fund (0903)
- Special Deposit Fund (0942)
- Office Revolving Fund (0998)
- Antiterrorism Fund (3034)

Each of these funds contains various asset, liability, revenue, and expense accounts that required reconstruction. For federal funds, OSAE staff focused their procedures on activity related to federal grants open between the period July 1, 1999 to September 30, 2003. For state funds, OSAE staff focused their procedures on activity related to the period July 1, 2000 through December 31, 2003. Specifically, OSAE staff performed the following procedures to complete the accounting record reconstruction:

- A. *Reconciliations*—Reconciled entries between the California State Accounting and Reporting System (CALSTARS) and the State Controller's Office (SCO) records for thirteen funds. SCO does not maintain records for the Office Revolving Fund; therefore, a reconciliation between these two records is not necessary.
- B. *Plan of Financial Adjustments*—Reconciled the Plan of Financial Adjustments between CALSTARS and SCO records.
- C. *Office Revolving Fund*—Reconciled the Office Revolving Fund to determine the correct balances for vendor amounts not reimbursed, and outstanding salary and travel advances.

- D. *Bank Reconciliations*—Performed bank reconciliations for the period August 1, 2002 through December 31, 2003, to determine the correct cash balance, identify reconciling entries affecting various other accounts, and evaluate how the cash should be posted.
- E. *Expenditures and Encumbrances*—Determined whether the expenditures and encumbrances are accurately recorded by project cost account (PCA) by reviewing the vendor payment logs, CALSTARS reports, invoices, Report of Expenditures and Request for Funds forms (OCJP 201), contract award amounts by PCA, and whether PCA codes are linked to the appropriate Catalog of Federal Domestic Assistance (CFDA) numbers.
- F. *Accounts Receivables*—Evaluated whether accounts receivable recorded in the accounting records are supported, and whether any unrecorded accounts receivables exist. Provide assistance to OES in collection efforts and write-offs for uncollectable accounts for receivables recorded in the accounting records.
- G. *State Support Costs*—Identified the state support costs recorded by appropriation, fund, and PCA.
- H. *Special Deposit Fund*—Evaluated the Special Deposit Fund entries through the reconciliation of the CALSTARS and SCO records and determined the Surplus Money Investment Fund (SMIF) interest earned to calculate the correct ending fund balance.
- I. *Federal Fund*—Reconciled SCO's federal funds account number 44 to the general ledger account number 1140, Cash in State Treasury.

A. Reconciliations

The accuracy of an agency's accounting records may be partially confirmed by making certain reconciliations and verifications. Specifically, agencies should complete reconciliations between the agency's accounts and the SCO accounts to identify and correct differences as they occur. This includes prior fiscal year appropriations that are no longer available for encumbrance but have not reverted. The State Administrative Manual, section 7901 requires agencies to prepare monthly reconciliations within 30 days of the preceding month, with the exception of property reconciliations.

For 13 funds, OSAE staff performed a reconciliation of the OCJP's account balances to the SCO fund balances as of December 2003. Specifically, OSAE staff determined whether the fund balances per OCJP's records agreed with the SCO fund balances. For the funds with balances that did not agree with the SCO's balances, OSAE staff performed the following:

- Identified the cause of the differences.
- Traced the differences to the source documents.

OSAE staff reconciled fund balances by year for appropriations not yet reverted for state funds (fiscal years 2001-02, 2002-03, and 2003-04) and federal funds (fiscal years 1999-00, 2000-01, 2001-02, 2002-03 and 2003-04). Furthermore, within each fiscal year of appropriation, OSAE staff reconciled each balance at the program level.

However, OSAE staff's analysis of the reconciliations was limited by certain constraints. Specifically, only two former OCJP accounting staff were employed by OES. Therefore, OSAE staff were unable to obtain historical background for some transactions. Additionally, some of the required records were missing. Therefore, OSAE staff completed their analysis with the information that was available.

OSAE staff's analysis identified the following:

Fund Name	Fund Contained Reconciling Item¹	Fund Contained Reconciling Items Over Six Months Old	Fund Contained Reconciling Item Involving PFA Transaction	Fund Contained Reconciling Items to be Corrected by SCO²
General Fund (0001)	X		X	X
Asset Forfeiture Distribution Fund (0196)	X	X		
Rural Health Care Equity Trust Fund (0197)				
Local Public Prosecutors/Defenders Training Fund (0241)	X		X	
Peace Officer's Training Fund (0268)				
Victim Witness Assistance Fund (0425)	X		X	
Hazardous Waste Enforcement Training Fund (0430)				
High Technology Theft Apprehension & Prosecution Program Trust Fund (0597)	X	X	X	X
Public Building Construction Fund (0660)				
Federal Trust Fund (0890)	X	X	X	X
State Penalty Fund (0903)	X			
Special Deposit Fund (0942)	X			
Antiterrorism Fund (3034)	X			

As indicated in the table above, 5 of the 13 funds contained reconciling items involving the Plan of Financial Adjustments (PFA) transactions. PFA's are discussed in further detail in section B of the report. However, the accounting reconstruction issues identified within one accounting area, such as the PFA entries, had significant effects in various other accounts.

¹ A reconciling item is an item causing a difference between the SCO balance and the OCJP balance that must be resolved.

² Errors on the SCO records that the OCJP staff should have communicated to SCO for resolution.

Some of the significant reconciling items are highlighted by fund below:

General Fund (0001)

- \$573,000 adjustment required due to mid-year budget reallocation.
- \$120,000 adjustment required due to incorrect posting of fiscal year appropriation from July 2003.
- \$13,300,000 of expenditures requires reversing with a corresponding correction of \$6,650,000.
- \$1,598,000 clearing account errors were identified that require correction.

Asset Forfeiture Distribution Fund (0196)

- \$78,000 adjustment required due to cash that was received but was not remitted to the State Treasurer's Office (STO). Additionally, this cash was not posted to CALSTARS and represents an accumulation of miscellaneous cash received beginning as early as December 2002.

Victim Witness Assistance Fund (0425)

- \$52,000 adjustment required because the SMIF interest was not posted to this fund beginning in July 2003.

High Technology Theft Apprehension and Prosecution Program Trust Fund (0597)

- \$75,000 adjustment required by SCO due to an appropriation revision. The revision occurred in June 2002. OCJP did not notify the SCO of this revision.
- \$7,016,000 of cash collections never received that must be reversed.

Federal Trust Fund (0890)

- \$109,000 adjustment required to record the Budget Act 2003 appropriation to High Tech Theft Apprehension Project.
- \$454,000 adjustment required to record the Budget Act 2003 redirection of federal funds from state operations to local assistance.

B. Plan of Financial Adjustments

The PFA is a formal plan whereby a state agency that is supported by more than one fund or appropriation may make financial adjustments between funding sources for services rendered, supplies used, or for a proper proportion of other expenses. Since the expenditures are first paid from the General Fund, the other funding sources must reimburse the General Fund clearing account for their portion of the expenditures. To accomplish this, agencies prepare and submit a PFA annually to the SCO and the Department of Finance.

After the PFA is submitted, agencies must timely notify the SCO when they process the allocations. After the SCO is notified and records the allocations in its records, the agencies are responsible for ensuring that their accounting records reconcile with the SCO's accounting records.

To evaluate the accuracy of the accounting records effected by the PFA allocations and identify any required correcting entries, we determined whether OCJP staff:

- Correctly accounted for PFA transactions.
- Properly notified the SCO of the PFA transactions.
- Reconciled their records to the SCO records.

We were unable to locate any PFA reconciliations performed by OCJP staff for the period July 2001 through December 2003. Therefore, OSAE staff performed the PFA reconciliations for the period July 2001 through December 2003 using fiscal year 2001-02 through 2003-04 accounting records that were available. Specifically, on a month-by-month basis, OSAE staff performed a comparison of the PFA amounts and PFA transactions between the OCJP and the SCO records.

Overall, OCJP staff correctly prepared the PFA transactions. However, after SCO recorded the PFA transactions the OCJP staff failed to record these transactions in its accounting records accurately or on a timely basis. For example, in May 2003 OCJP staff notified the SCO to reimburse the General Fund clearing account approximately \$83,000 more than was actually incurred and expended. OCJP staff eventually identified this error. However, rather than properly resolving the error by finding the cause of the difference and posting the proper accounting transactions, OCJP staff incorrectly posted a plug amount to resolve the difference within its own accounting records. Because the transaction involved 2001-02 funds, the funds reverted at the end of 2003-04 and the plug amount is no longer carried forward in OCJP's accounting records. Second, the OCJP staff failed to notify the SCO of this difference. However, the SCO independently discovered and corrected the transaction in its own records in June 2004.

OSAE staff also noted that the OCJP staff did not record the PFA transactions on a monthly basis. Instead, the OCJP staff posted these transactions up to six months after the transaction occurred. As a result, to correct the accounting records as of December 31, 2003, the following accumulated PFA adjustments must be made:

Fund	FY 03-04	FY 02-03	FY 01-02
General Fund (0001)	\$ 592,000	\$ 9,000	\$229,000
Local Public Prosecutors/Defenders Training Fund (0241)	10,000	0	0
Victim Witness Assistance Fund (0425)	259,000	6,000	2,000
High Technology Theft Apprehension (0597)	93,000	1,000	1,000
Federal Trust Fund (0890)	2,005,000	374,000	84,000
Total	\$2,959,000	\$390,000	\$316,000

C. Office Revolving Fund

Generally, for goods and services received, agencies submit claims to the SCO for payment. However, in certain circumstances that require expediency, an agency can issue checks directly for payment of goods and services from its Office Revolving Fund (ORF). Specifically, an agency can issue payments from its ORF to its employees for salary and travel advances, and to vendors for goods and services received. To reimburse the ORF, agencies submit claims to the SCO.

OSAE staff reviewed the salary advance, travel advance, expense advance, and due from other government transactions listed as outstanding in OCJP's accounting records to identify any correcting entries. During this process, OSAE staff found that prior to May 2003 the OCJP

maintained its ORF records on the Grant Management Accounting System (GMAS) and then transitioned these records to CALSTARS. To ensure accuracy, especially after a major action such as transitioning from manual to automated recordkeeping, reconciliation of the two systems should be performed. However, the GMAS amounts were not verified by OCJP staff before integration with the CALSTARS automated accounting system. Therefore, any inaccuracies in the ORF were transferred from GMAS to CALSTARS.

OSAE staff obtained OCJP's ORF Status Report as of June 30, 2004. This report listed all outstanding items to be reimbursed by the type of transaction: Expense Advances totaling \$110,000, Travel Advances totaling \$12,000, Salary Advances totaling (\$208), and Due From Other Funds or Appropriations totaling (\$6,000). If an item appears on the ORF Status Report, the item has not been submitted to SCO for reimbursement on a claim schedule, or the cash receipt was not correctly applied, causing OCJP's expenditures to be understated. The following lists the results of OSAE staff's review of the outstanding items on the ORF Status Report.

Expense Advances

- 73 percent (66/90) of the outstanding expense advances represent payments cashed by the payee which should be submitted to SCO for reimbursement on a claim schedule. OSAE staff noted that some of these items have been outstanding for over five years.
- 9 percent (8/90) of the items were incorrectly posted or otherwise did not agree to the corresponding source documents.
- 7 percent (6/90) were correctly recorded.
- 5 percent (4/90) of the items relate to miscellaneous issues.
- 5 percent (4/90) of the items listed on the report had no supporting documentation such as copies of checks, check foils, or invoices. Of these items, all were outstanding for over five years.
- 1 percent (2/90) of the outstanding expense advances represent items that have been cashed by the payee, a claim schedule submitted to SCO for reimbursement, the item properly reimbursed, and should no longer be listed on the ORF status reports. However, as discussed in section F and section D, OCJP's cash receipting procedures were inadequate. OSAE staff consistently observed cash receipts which were either never recorded in the OCJP's accounting system or were recorded incorrectly. For these transactions, the corresponding cash receipt must be accurately recorded to correct the accounting records.

Travel Advances

- 81 percent (108/134) of travel advances were outstanding prior to automation and had a debit balance, which indicates that the employee owed funds to OCJP. Based on a sample of these transactions, OSAE staff could not locate documentation to support the accuracy of the debit balances. Either no documentation was available or the documentation that was located did not support the information on the report.
- 13 percent (17/134) of the travel advances had credit balances, which indicates that OCJP owed funds to the employees. Based on a sample of these transactions, OSAE staff either could not locate any documentation supporting the balance, or located supporting documentation with incorrect amounts and balances. Several of these items were outstanding for over five years.
- 6 percent (9/134) of the items relate to miscellaneous issues.

Salary Advances

- The three salary advances listed on the ORF Status Report occurred prior to May 2003 and no supporting documentation was located.

Due From Other Funds or Appropriations

- One transaction contained no supporting documents and was entered into CALSTARS when the ORF was automated.
- One transaction was not cleared because the original check received was never entered into CALSTARS.

Within the above categories, it appears that the ORF was never reimbursed for 183 checks totaling approximately \$187,000 as of December 31, 2003. Therefore, OES management should follow-up with SCO to confirm that these amounts were not reimbursed after December 31, 2003, prior to preparing claim schedules for reimbursement.

OES should submit claim schedules to SCO for reimbursement, record the unrecorded cash receipts, and prepare correcting entries for cash receipts improperly recorded by OCJP staff. Additionally, based on the information provided by OSAE staff, OES management must determine whether they will write-off the amounts or begin collection activities for the outstanding travel and salary advances for which no supporting documentation is available and no evidence exists supporting the payment.

D. Bank Reconciliations

On a monthly basis, each state agency receives a STO statement that details the agency's cash receipts, cash disbursements, and ending cash balance. Each agency should reconcile the ending cash balance per the STO statement to the agency's ending cash balance on a monthly basis. This process should identify any discrepancies recorded either in the STO records or in the agency's records for proper follow-up and correction. In doing so, the agency ensures that its cash balance is accurate and reduces the risk of disbursing more than the agency's available cash balance and incurring a deficiency.

To evaluate the accuracy of OCJP's general cash balance as of December 31, 2003, OSAE staff planned to perform an analysis of the monthly bank reconciliations completed by OCJP staff for the general cash accounts. However, OSAE staff discovered that the last bank reconciliation performed by OCJP was for of July 2002. In an attempt to rectify the lack of bank reconciliations prior to OSAE staff's assistance, OES staff began verifying the items included in the July 2002 bank reconciliation. They found that the July 2002 bank reconciliation included over 1,200 reconciling items which dated back to September 1997. Each of these 1,200 items represent a transaction or transactions that must be corrected to achieve agreement between the OCJP's cash balance and the STO statement. Some of these reconciling items had been carried forward each month for over six years instead of being corrected.

Continuing from where OES began, OSAE staff performed the bank reconciliations from August 2002 through December 2003. During this process, OSAE staff found that OCJP transitioned its general cash accounting to the automated CALSTARS accounting system in April 2003. Prior to this, cash receipts and disbursements were accounted for manually. This transition increased the complexity of reconciling the agency's cash accounts because it required a review of both manual and automated accounting records. The manual records available were voluminous and prior OCJP staff were unavailable to answer questions related to

specific transactions. Given these constraints, OSAE staff performed the following procedures to complete the bank reconciliations:

- Identified reconciling items.
- Determined whether the reconciling items were subsequently cleared.
- Determined the correcting entry for uncleared items.
- Determined the appropriate accounting for cash receipts not posted to the accounting system.
- Determined the appropriate accounting for manual cash disbursements not posted to the accounting system.

While OSAE staff identified many issues during the performance of the OCJP general cash account reconciliations, the most significant issues are identified below.

- 26 checks totaling \$35,000 represent checks written by other agencies that cleared against OCJP's account in error during the period November 1995 through December 2003. It appears that OCJP staff did not take any action to correct these errors.
- General cash receipts totaling \$306,000 which were received between June 1995 and July 2002 were not entered into the accounting system.
- OCJP staff did not continuously or consistently enter receipts after April 2003 into the accounting system. As of December 2003, a total of \$2,531,000 in receipts were not entered into the accounting system.
- General cash disbursements totaling \$1,374,000 which were made prior to automation were not entered into the accounting system as of December 2003.
- General cash disbursements totaling \$3,773,000 which were made after automation were not entered into the accounting system as of December 2003.

E. Expenditures and Encumbrances

For state appropriations, agencies may incur and encumber obligations during the year of appropriation per the state budget. Disbursements to liquidate these encumbrances may be made during the year of appropriation or the following two years. For federal funds, agencies may incur and encumber obligations during the year of appropriation in the state budget, but may liquidate these encumbrances during the year of appropriation or the following four years. As noted above, the expenditures must be incurred during the year of appropriation.

OSAE staff reviewed whether the expenditures and encumbrances from July 1, 1999 through December 31, 2003 were accurately recorded by fund, project, and fiscal year. To accomplish this task, OSAE staff reviewed approximately 6,000 open, closed, and archived project files relating to 40 different programs. Specifically, OSAE staff performed the following:

- Reconciled the project cost amount to the total recorded in the CALSTARS Summary of Project Revenues and Expenditures Report (CALSTARS F01).
- Compared the payment log amounts listed in the project accounting files to the amounts reported on the CALSTARS F01.
- To ascertain the probable causes of the differences identified in the steps above and develop the appropriate correcting entries, OSAE staff reviewed the OCJP vendor payment logs, OCJP Report of Expenditure and Request for Funds, CALSTARS F01 reports, contract award files, and other relevant information in the OCJP grant payment accounting files.

The performance of the steps above were limited by the following constraints:

- Missing records and the unavailability of the prior OCJP accounting staff. Due to these limitations, OSAE staff could not verify 100 percent of the expenditures. It is unknown how many files are missing which might include errors involving the understatement or overstatement of expenditures.
- Time and resource limitations. Specifically, the determination of whether each grant payment was expended against the correct fiscal year would have required OSAE staff to review approximately 72,000 claim schedules for each year of funding (6,000 funding sources multiplied by an average of 12 claims per year). Therefore, OSAE staff relied upon the OCJP record of project expenditures reported on the CALSTARS report for the project work-phase and the fiscal year data when evaluating the expenditures. However, OSAE staff performed other analytical procedures in section O to evaluate the impact of this issue.

OSAE staff verified that OCJP routinely encumbered the entire appropriation each year end and awarded funds to the subrecipients based on funds available from various unreverted appropriations. OCJP encumbered the entire amount to ensure that funds would not be reduced from subsequent budget appropriations and to allow OCJP to charge expenditures to other fiscal years to maximize the funds available for expenditure. As stated above, OSAE staff performed additional analytical procedures in section O to evaluate the impact of this practice.

Overall, OSAE staff's review of the CALSTARS F01 reports and the supporting documentation indicates that the expenditures are supported. Specifically, out of the approximately 6,000 funding sources, OSAE staff identified only 26 instances where the CALSTARS F01 data and the amounts recorded in the supporting documentation did not agree. Therefore, based upon our review, the expenditures recorded were incurred and supported.

F. Accounts Receivables

OCJP's accounts receivables primarily originated from two sources: (1) receivables of grant funds due back from subrecipients based on audits of those grant funds, and (2) receivables due from employees for salary and travel advances. See section C for further discussion regarding salary and travel advances.

To review the accuracy of the accounts receivables, OSAE staff determined whether:

- The account receivables were accurately recorded and adequately supported.
- Any unrecorded accounts receivables existed.

To verify the accuracy and adequacy of the accounts receivable listed, OSAE staff obtained the OCJP's accounts receivable general ledger as of April 30, 2004. OSAE staff corroborated the general ledger information with the supporting documentation. To identify any unrecorded accounts receivables, OSAE examined all available documents, such as open invoices and files, and determined whether the applicable receivable was properly recorded into the general ledger. While OSAE staff examined all relevant documents available that might identify unrecorded accounts receivables, the possibility exists that some unrecorded receivables are still unidentified due to the quantity of existing grant documents, missing grant documents, and the disorganization of the records transferred from OCJP to OES.

As of April 30, 2004, OSAE staff identified approximately \$4,018,000 in accounts receivables. Of these accounts receivables, OSAE staff determined the following:

- 36 percent (83/230) of all invoices, totaling \$1,331,000, did not have any supporting files or documentation such as invoices.
- 27 percent (62/230) of all invoices, totaling \$1,023,000, were receivables that were at least seven years old.
- 14 percent (32/230) of all invoices, totaling \$539,000, were receivables that had been paid or subsequently canceled but were still listed.
- 1 percent (2/230) of all invoices, totaling \$31,000 were double posted to the accounting records.
- 23 percent (52/230) of the items related to other miscellaneous issues.

In addition, OSAE staff determined that the OCJP had additional receivables items that should have been posted to its records. Specifically we determined the following:

- OSAE staff identified 38 invoices, totaling \$297,000, that were never posted to OCJP's accounting records.
- 63 percent (24/38) of those invoices, totaling \$91,000, were subsequently paid; however, the payment was never recorded in the accounting records.
- 26 percent (10/38) of those invoices, totaling \$256,000, represent amounts that OCJP's Internal Audit Unit determined were accounts receivables, but no invoice was ever prepared to initiate the recording or collection of the receivable.

Based on our analysis, OES management should perform the following:

- Prepare and mail new invoices for the recorded outstanding accounts receivable items that have supporting documentation.
- Prepare and mail invoices for the items determined to be receivables by the OCJP Internal Audit Unit. Record these items as accounts receivables.
- Correctly apply the corresponding payments or other documents to credit the paid or canceled accounts receivables.
- Remove the double-posted items.
- Post the valid but unrecorded accounts receivables that still have not been paid.
- For recorded accounts receivables with no supporting documentation, OES management must determine whether they wish to remove the unsupported accounts receivables from the accounting records, or if they believe the accounts receivables are valid, initiate collection procedures.

G. State Support Cost

State support costs refer to the portion of total federal grants awarded to OCJP for which OCJP is entitled to use to administer the federal grant funds. The portion, or percentage, allotted to OCJP varied between grant awards depending on the guidelines governing each grant award.

OCJP was responsible to ensure that it did not incur expenditures exceeding the total amount allotted for state support costs and that the type of expenditures incurred, i.e. direct and indirect support costs, complied with the federal guidelines.

OSAE staff examined OCJP's methodology for incurring and recording state support costs in section N. Additionally, OSAE staff reviewed OCJP's compliance with federal requirements over the total allotment of state support costs in the Compliance with Federal Grant Requirements section of the report.

H. Special Deposit Fund

Federal guidelines require that Juvenile Accountability Incentive advances be deposited into an interest bearing account. Thus, advances were deposited into the Special Deposit Fund (SDF) and earned interest from the SMIF. When funds are expended, transfers from the SDF into the Federal Trust Fund are processed and the expenditure is paid from the Federal Trust Fund. As of December 31, 2003, the cash balance remaining in the SDF was approximately \$2,489,000. To correct the SDF balance in the accounting records, the following must be entered into CALSTARS.

- Four transactions totaling approximately \$21,371,000 to reflect transfers from the SDF to the Federal Trust Fund.
- An adjustment of approximately \$328,000 to reflect the SMIF interest earned and credited to the SDF.

I. Federal Fund

OCJP received federal grant awards from two federal agencies, the United States Department of Justice (USDOJ) and the United States Department of Health and Human Services (USDHS). Some of the funds from the USDHS were federal funds passed through the California Department of Health Services (CDHS). OCJP then awarded these federal grants to subrecipients. For most federal awards, no cash funds may be drawn until an expenditure is incurred by the state. However, the Juvenile Accountability Incentive, Rape Prevention Education, and Local Law Enforcement grant awards allow advances prior to incurring the expenditures.

When expenditures were incurred, OCJP requested draws from the federal awarding agency or submitted an invoice to CDHS. When the federal funds were transferred to the STO, OCJP submitted a remittance advice to the SCO informing them of the draw and how to account for it.

The SCO maintains an account titled the 44 account and records the awards and draws of federal funds received by each state agency by Catalog of Federal Domestic Assistance (CFDA) Number without regard to fiscal year. Specifically, the 44 account links the federal draws to the Federal Trust Fund.

OSAE staff reviewed whether the 44 account accurately reflected the awards and draws by CFDA as recorded in the SCO records. Specifically, OSAE staff reviewed SCO Account 44 records from July 1, 1999 through June 30, 2004. OSAE staff noted the following:

- It appears that OCJP staff requested grant funds from the federal agencies, but directed the SCO to record the grant funds in CFDA numbers that did not correspond to the grant funds requested. Therefore, the amounts recorded in the 44 account do not correspond by CFDA to amounts actually requested by OCJP from the federal agencies. However, in section M of this report, OSAE staff compared the total amount requested and drawn to the total amount received by OCJP and determined that the amount requested varied less than 1 percent from the amount received.
- As of December 2003, the 44 account included \$404,000 in funds drawn down which were never transferred to the Federal Trust Fund (FTF) for disbursement. This balance reflects an accumulation of federal funds received by OCJP over an extended period beginning in fiscal year 1999-00.

FEDERAL AND STATE GRANT REVENUES AND LIABILITIES

Prior to its abolishment, the Office of Criminal Justice Planning (OCJP) administered programs through three divisions: Juvenile Justice, Public Safety, and Victims' Services. The interim plan required the Juvenile Justice programs to be transferred to the Board of Corrections (BOC) and Public Safety and Victims' Services programs to be transferred to the Governor's Office of Emergency Services (OES).

The transfer of programs to the BOC and OES included both the federal and state funding for these programs. OCJP prepared the documents to close out all federal grants by September 30, 2003. Upon completion of the closure of these grants, the receiving agencies could apply to the administering federal agencies to reopen the grants. In addition, OCJP notified its subrecipients receiving grants funded, in whole or in part, with federal funds that the OCJP grant agreements would be amended to end as of September 2003. However, the receiving agencies would enter into new grant agreements with the subrecipients for the remainder of the state fiscal year ending June 30, 2004.

The Juvenile Justice programs transferred to BOC included funding from 11 federal grants with initial award amounts totaling approximately \$112,039,000. Of these, 4 grants were permanently closed because the project period of the funds had expired, and 7 had available balances totaling \$37,897,000. The majority of the programs received by the BOC were funded by only one source.

The BOC relied on expenditures reported to the federal government by former OCJP staff and on draws recorded by the United States Department of Justice (USDOJ) to close out the Juvenile Justice grants. Based on these records it remitted the amount due to USDOJ and reopened the awards with available balances.

The Public Safety programs and Victims' Services programs transferred to OES included funding from 28 federal grants, 6 awards of pass-through funding, and 32 state funded programs. Initial awards for the federal and pass-through programs totaled \$480,128,000. Spending authority for the state funded programs for July 1, 2000 through December 31, 2003 totaled \$322,491,000.

OES raised concerns regarding the reliability and accuracy of the accounting records supporting the grant activity for programs within the Public Safety and Victims' Services branches. Due to the size and complexity of the funding structure for these programs and the recordkeeping weakness that had been identified, OSAE focused the majority of its work on funding and expenditures related to the programs transferred to the OES.

Based on discussions with various staff at the OES and the BOC, and OSAE staff's review of the accounting records, it appears that the OCJP awarded subrecipients funds appropriated to previous years without the authority to do so. Senate Bill 23 (SB 23) officially reappropriated the previous years' state funding to the current year allowing OES to use these funds to pay subrecipients. Although the previous years' funding was reallocated, it was unclear whether this funding would be sufficient to meet the subrecipient obligations transferred to OES since the

related accounting records were incomplete and inaccurate. To determine the correct balances of state funds appropriated for federal grant awards and local assistance and whether this funding is sufficient to meet the subrecipient obligations, OSAE staff performed the following procedures:

- J. Identified the open federal awards to OCJP and state spending authority for local assistance appropriations.
- K. Identified amounts awarded to subrecipients.
- L. Determined whether sufficient federal and state funding exists to pay the current grantee obligations.
- M. Compiled the amounts drawn down by OCJP for all federal grants for the period July 1, 1999 through December 31, 2003.
- N. Compiled the support and local assistance expenditures related to open federal grant programs as of December 31, 2003.
- O. Compared the draws to expenditures and determined the amounts, if any, due back to the federal government.
- P. Created schedules to aid OES in the preparation of federal expenditure reports.

J. Open Federal Awards and State Spending Authority

Due to the disorganized state of the OCJP records, OSAE staff were uncertain as to the accuracy of the status of the federal grants. Specifically, OSAE staff could not initially determine the correctness of the following:

- Closure status of the grants
- Amounts awarded
- Allocations for support and local assistance
- Project periods

To identify open federal grant awards at September 30, 2003, OSAE staff reviewed information from various sources including federal grant agreements, expenditure reports, and OCJP records. Based on this data, the OCJP transferred a total of 11 federal grant awards, totaling \$112,039,000 to the BOC. With respect to these grants, OSAE staff determined that the closeout was completed and 7 grants were reopened by the BOC. Per federal requirements, the BOC submitted federal Financial Status Reports for these grant awards to the federal awarding agency, the USDOJ. The BOC settled the variances reported within the Financial Status Reports and subsequently applied to have the grant awards opened with the remaining balances. For the Public Safety and Victims' Services programs, OCJP transferred 28 grants to OES. The OES was unable to certify the accuracy of the financial data required to complete the federal Financial Status Reports because of the recordkeeping weaknesses of OCJP. Therefore, grants could not be closed out until the accounting reconstruction work was completed. Appendix B summarizes this information.

In addition to the federal funds, OES received all of the state funding for these programs. Although SB 23 allowed OES to use previous years state funding to pay subrecipients, OES requested OSAE staff to determine whether the remaining spending authority would be sufficient to meet the subrecipient obligations. This evaluation is contained in section L of the report. To determine state spending authority, OSAE staff reviewed the initial Budget Act appropriations and subsequent legislative changes and revisions to Budget Act appropriations. Appendix C summarizes this information.

K. Subrecipient Awards

To determine the amount awarded by OCJP to its subrecipients, OSAE staff reviewed existing program grant files on hand and OCJP's accounting records. Specifically, OSAE staff compared the program grant files to corresponding supporting documents. Additionally, OSAE staff identified adjustments for variances between the award amounts per OCJP's accounting records and the grant documents. Based on these procedures, OSAE staff determined that the initial award amounts for open subrecipient grants at the time of our review was \$447,270,000. This total represents 1,115 open grants and includes funding from federal grant awards from fiscal years 1997-98 through 2003-04 and state spending authority from fiscal years 2000-01 through 2003-04. These award amounts were used in section L of the report to determine whether OCJP awarded its subrecipients more than what was available with federal grant awards and state spending authority.

While performing the above analysis, OSAE noted that OCJP routinely changed the funding source of the award without completing the appropriate forms approving the change. This resulted in the subrecipient award documents reflecting a different funding source or year of funding from that recorded in OCJP's accounting records. As a result, OSAE staff relied on the actual grant award documents to determine the award amounts rather than relying on OCJP's accounting records. Additionally, OSAE staff found that OCJP did not have official award documents to support all award amounts recorded in its accounting records. The difference between the award amounts per the grant award documents and the accounting records was approximately \$746,000. This amount represents the net award amount in CALSTARS that was not supported by an award document. Also, OSAE staff identified significant variances within grant funding sources. The following represent the individual variances in award amounts in excess of \$1,000,000:

Project number	Award Amount per CALSTARS	Award Amount per Award Document	Variance
BYRN1200	\$3,787,000	\$2,251,000	\$1,536,000
BYRN1202	43,315,000	44,487,000	(1,172,000)
BYRN1203	9,517,000	560,000	8,957,000
GENF1200	14,604,000	20,448,000	(5,844,000)
GENF1201	74,792,000	75,855,000	(1,063,000)
GENF1203	10,643,000	20,740,000	(10,097,000)
GFSL1200	17,451,000	9,898,000	7,553,000
POST1201	5,000,000	3,750,000	1,250,000
RPED1202	4,548,000	6,991,000	(2,443,000)
VOCA1200	16,913,000	15,711,000	1,202,000
VOCA1202	37,834,000	39,265,000	(1,431,000)
Total	\$238,404,000	\$239,956,000	\$(1,552,000)

L. Determination of Whether Sufficient Federal and State Funding Exists to Pay the Current Grantee Obligations

OES management raised concerns that OCJP may have awarded grants to its subrecipients in excess of amounts available from federal grant awards and state spending authority. To determine if the federal and state funds had been over-obligated, OSAE staff compared the total award amounts for federal grants and spending authority for state local assistance to total expenditures and outstanding obligations to subrecipients on a grant by grant basis.

Initially, to determine the amount of total unobligated grant funds, OSAE staff reviewed OCJP's encumbrances recorded in the accounting records as of December 2003. As discussed in

section E, OCJP improperly encumbered total appropriations for grant awards without supporting documents properly allowing for the encumbrance. Furthermore, OCJP did not have an effective process in place for the proper close out of subrecipient grant awards. Whereas program documents showed that a particular grant was closed and grant funding was no longer necessary, accounting records showed the status of the grant as still open. As a result, OSAE staff could not rely on OCJP's accounting records to provide unencumbered award balances.

As an alternative approach, OSAE staff performed the following procedures:

- Determined the total federal awards amounts and spending authority as of December 31, 2003. Refer to Appendices B and C.
- Reduced total federal award amounts or state funds appropriated for local assistance by the total amounts expended by subrecipients. This total expenditure amount is based on the reconstruction of OCJP's accounting records by OSAE staff as described in section E.
- Determined the unexpended balance of open subrecipient awards by reducing amounts awarded, based on actual award documents, by amounts expended.
- The remaining balance represents either the unobligated balance of the award or the obligations to subrecipients in excess of the grant funds awarded to OCJP.

The results below represent an approximation of the unencumbered balance based on the limited and sometimes conflicting information available:

Unobligated Balances of State Local Assistance Appropriations					
Fund Number	Fund Name	Final Spending Authority	Expenditures as of 12/31/03	Amount Remaining on Open Contracts	Unobligated Balance as of 12/31/03
<i>FY 2000-01</i>					
8100-101-0001	General Fund	81,747,000	75,783,000	4,394,000	1,570,000
<i>FY 2001-02</i>					
8100-101-0001	General Fund	101,041,000	94,075,000	5,307,000	1,659,000
8100-101-0241	Local Public Prosecutors and Public Defenders Training Fund	792,000	792,000	0	0
8100-101-0268	Office of Criminal Justice Planning	5,000,000	2,682,000	1,457,000	861,000
8100-101-0425	Victim Witness Assistance Fund	15,519,000	15,374,000	83,000	62,000
8100-101-0597	High Technology Theft Apprehension and Prosecution Fund	13,518,000	12,858,000	321,000	339,000

Unobligated Balances of State Local Assistance Appropriations					
Fund Number	Fund Name	Final Spending Authority	Expenditures as of 12/31/03	Amount Remaining on Open Contracts	Unobligated Balance as of 12/31/03
<i>FY 2002-03</i>					
8100-101-0001	General Fund	44,918,000	26,197,000	18,095,000	626,000
8100-101-0241	Local Public Prosecutors and Public Defenders Training Fund	792,000	792,000	0	0
8100-101-0425	Victim Witness Assistance Fund	15,519,000	15,380,000	246,000	(107,000)
8100-101-0597	High Technology Theft Apprehension and Prosecution Fund	13,518,000	5,840,000	7,734,000	(56,000)
<i>FY 2003-04</i>					
8100-101-0001	General Fund	15,212,000	999,000	22,476,000	(8,263,000)
8100-101-0241	Local Public Prosecutors and Public Defenders Training Fund	396,000	236,000	19,000	141,000
8100-101-0425	Victim Witness Assistance Fund	7,760,000	3,313,000	1,683,000	2,764,000
8100-101-0597	High Technology Theft Apprehension and Prosecution Fund	6,759,000	0	6,650,000	109,000

Over-Obligated Federal Grants					
Federal Grant #	Federal Program	Local Assistance Allocation of Award	Expenditures as of 12/31/03	Amount Remaining on Open Contracts	Unobligated Balance as of 12/31/03
2001-VA-GX-0006	FY 2001 Victim of Crime Act	38,014,000	38,232,000	146,000	(364,000)

Based on this analysis, it appears that as of December 31, 2003, the state local assistance spending authority for the 2002-03 Victim Witness Assistance Fund (8100-101-0425), the 2002-03 High Technology Theft Apprehension and Prosecution Program Trust Fund (8100-101-0597) and the 2003-04 General Fund (8100-101-0001) appropriations were over-obligated. In addition, it appears that OCJP both over-expended and over-obligated the funds associated

with federal award 2001-VA-GX-0006. However, the budget for this award included \$404,000 for training which was not included in the calculations above. The final determination regarding whether the training funds can be used to offset the over-obligations for local assistance depends on negotiations between OES and the awarding federal agency.

M. Compilation of Amounts Drawn Down by OCJP for all Federal Grants for the Period July 1, 1999 through December 31, 2003

OCJP received grant funding from the USDOJ and the United States Department of Health and Human Services (USDHHS). The Juvenile Accountability Incentive grants and Local Law Enforcement grants provided advanced federal funding. The Rape Prevention Education grant provided advanced federal funds, but these funds were passed through the California Department of Health Services (CDHS). The remaining grants were reimbursement based. For the reimbursement based grants, OCJP incurred expenditures and drew down funds to reimburse their expenditures.

The State Controller's Office (SCO) records the receipt of federal draws by the Catalog of Federal Domestic Assistance (CFDA) Number based upon state agency reporting. OSAE observed instances where OCJP requested a draw of funds from one federal program or agency, but notified the SCO to credit those funds into a different CFDA. As a result, the SCO's records for federal draws received are inaccurate at the CFDA level. Specifically, receipt of federal draws are overstated for some CFDA's and understated for other CFDA's. However, on an overall basis, the total federal draws received per federal draw records varied less than one percent when compared with the total SCO draws recorded. Based on the above information, OSAE staff determined that the SCO records could not be relied upon to reflect draws by CFDA. Instead, OSAE staff relied upon the federal record of draws. A schedule of OCJP's total federal draws received by CFDA is presented in Appendix D.

OCJP also received pass-through funding from the CDHS and recorded these pass-through funds as federal funds. OSAE observed that the OCJP followed an unusually complex method for recording activity for these funds. Specifically, OCJP maintained an interagency agreement with the CDHS whereby OCJP invoiced CDHS for federal funds, CDHS requested the draws of federal funds from USDHS, and USDHS remitted the funds directly to OCJP's federal fund account at the State Treasurer's Office. For presentation purposes, we have included these grants with the federal awards.

N. Compilation of Support and Local Assistance Expenditures Related to Open Federal Grant Programs as of December 31, 2003

The majority of federal grant awards received by OCJP allowed for support and local assistance expenditures. Support expenditures represent costs incurred by OCJP for the administration and distribution of the federal funds. Local assistance expenditures relate to federal funds awarded, distributed, and contracted to subrecipients by OCJP. Typically support costs are capped by federal award requirements, which can vary from program to program.

Recipient agencies are required to file federal Financial Status Reports on a regular basis to report on amounts expended in these categories. OES deferred filing the federal Financial Status Reports until the accounting records of the OCJP could be reconstructed.

To determine the total local assistance expenditures incurred by OCJP, OSAE staff planned to rely on OCJP's accounting records as of December 2003. However, as previously discussed, OES expressed reservations about the accuracy of the expenditure amounts recorded in OCJP's accounting records. Therefore, to determine total local assistance expenditures, OSAE

staff analyzed the expenditures recorded in OCJP's accounting records and made necessary adjustments. The extensive work required to determine this amount and the accounting issues identified are described in the Accounting Record Reconstruction section of this report. Adjustments made to local assistance expenditures are reflected in Appendix D.

Support costs are comprised of direct and indirect costs incurred by state agencies for activities related to the distribution and administration of federal grant awards. Direct costs are charged using an allocation methodology selected by the state agency. OSAE staff approached the task of determining whether OCJP accurately recorded support costs by determining whether the allocation methodology used by OCJP complied with federal requirements.

According to federal program guidelines, indirect costs must be charged in accordance with an approved Indirect Cost Rate Proposal (ICRP). In previous fiscal years, OCJP had submitted an ICRP to its cognizant federal agency as required per federal requirements. Although OCJP had prepared an ICRP for fiscal year 2003-04 and had obtained DOF approval, for undetermined reasons OCJP never submitted the plan for approval to its cognizant federal agency.

Under the requirements of its cognizant federal agency, no indirect costs are allowed until a plan is approved by that agency. As such, approximately \$2,230,000 in indirect costs incurred by OCJP for the period July 2003 through December 2003 are at risk of disallowance due to the lack of an approved ICRP. Therefore, we recommend that OES management negotiate for retroactive approval for the ICRP prepared, but not submitted, for 2003-04.

For direct costs, we were unable to determine the validity of the allocation methodology due to the lack of a written methodology and because former OCJP staff responsible for allocating costs were unavailable. Additionally, OSAE staff noted that the OCJP's lack of any written cost allocation methodology appears consistent with previous findings regarding its cost allocation methodology by other auditing bodies. A 2002 audit report concluded that OCJP's cost allocation methodology was flawed, which may have allowed the funding of a particular grant program to be used to support the costs of another grant program.

Without a written cost allocation methodology available to test the adequacy of support costs recorded, and with the limited information available, OSAE staff performed alternative analytical procedures to deduce the adequacy of the support costs recorded by OCJP. Based on the analytical procedures performed, OSAE staff could not determine with certainty that support costs were allocated correctly.

To evaluate the cost allocation given the above constraints, OSAE staff focused their efforts on expenditures in excess of the federal cap and identified the following support cost requirements that applied to OCJP:

- Federal guidelines required support costs to be capped at a specific percentage of total funding.
- OCJP agreed to a budget for support in its award agreement that was sometimes less than the federal cap.

OSAE staff determined that OCJP exceeded the federal cap requirements for state operations support costs for the following programs:

- Stop Violence Against Women for fiscal year 2002
- Family Violence for fiscal year 2002

Adjustments for the support costs in excess of the federal limit identified above are reflected in the adjusted expenditure column of the schedule in Appendix D.

The final determination of penalties, if any, for OCJP's noncompliance with the federal requirements for support costs depends on negotiations between OES and the federal agencies.

O. Comparison of Draws to Expenditures and Determination of Amounts, If Any, Due to the Federal Government

To determine whether any amounts were due to the federal government, OSAE staff calculated the total amount that OCJP drew from USDOJ and USDHS for the Juvenile Justice, Public Safety, and Victims' Services programs and compared this amount to total expenditures for state operations and local assistance.

First, OSAE staff determined that as of December 2003, OCJP had drawn \$413,644,000 from the awarding federal agencies and received \$12,174,000 in pass-through funding for its three broad-based programs. Next, OSAE staff prepared a schedule comparing total draws to total expenditures which is presented in Appendix D.

Appendix D divides the federal funds drawn by OCJP into the three program categories administered by OCJP: Juvenile Justice, Public Safety, and Victims' Services. It further breaks down the program categories by the federal grant program received within each category. It is at this grant program level that OSAE compared the funds drawn to actual expenditures.

As noted in Appendix D, OSAE staff identified individual grant awards where draws exceeded expenditures as well as awards where expenditures exceeded actual draws. Thus overall, for certain programs, over-draws were offset by excess expenditures. As of December 31, 2003, OSAE staff determined that draws of federal funds exceeded expenditures in the Public Safety Division by \$750,000. In the Victims' Services Division, federal draws exceeded expenditures by \$575,000. Additionally, pass-through funding received exceeded expenditures by \$720,000. The schedule for Juvenile Justice programs indicates excess of draws in the amount of \$17,044,000. However, subsequent to this date, all awards for the Juvenile Justice programs were closed and the majority of this amount was refunded back to the awarding federal agency. The footnotes to this schedule provide additional detail.

P. Creation of Schedules to Aid OES in the Preparation of Federal Expenditure Reports

Based on instructions from OCJP's cognizant federal agency, federal expenditures reports cannot be submitted for prior periods. Therefore, OSAE's focus changed to determining the results of activities as of December 31, 2003 to provide OES with the beginning balances required to prepare the required federal expenditure reports. Since December 31, 2003, OES has continued to make both awards and payments to subrecipients to avoid delays in their funding and keep the grant programs operational. Before the required expenditure reports can be prepared for open federal grants, substantial work will be required by OES to make the adjustments to CALSTARS recommended in the Accounting Record Reconstruction section of the report and to prepare and reconcile grant related activity that has occurred subsequent to December 31, 2003.

COMPLIANCE WITH FEDERAL GRANT REQUIREMENTS

Based on OSAE's review of various audit reports on the Office of Criminal Justice Planning (OCJP) and discussions with various staff at the Governor's Office of Emergency Services (OES), OSAE staff identified certain areas of federal grant compliance that could cause a fiscal impact to the State. OSAE organized the compliance work into two broad categories: (1) OCJP's compliance as a direct recipient of federal grant funds, and (2) OCJP's compliance as the administrative agent over funds awarded to subrecipients.

OCJP's Compliance as a Direct Recipient of Federal Grant Funds

To identify the significant compliance requirements of OCJP as a direct recipient of federal funds, OSAE staff reviewed the federal award documents, program guidelines, applications, codes, and other federal documents. Based on this review, OSAE staff developed procedures to evaluate OCJP's compliance with requirements for match, eligibility, support costs, and fund allocation for all federal programs in which OCJP had open grants as of September 30, 2003. The specific procedures performed for each compliance requirement and review results follow:

Match

- Identified the match requirements based on a review of the federal award documents, program guidelines, applications, and regulations.
- Interviewed former OCJP management staff responsible for the federal programs.
- Reviewed OCJP's Request for Applications (RFA) and Request for Proposals (RFP) to determine if the match required from the subrecipients complied with federal program requirements.
- Reviewed OCJP's accounting records to determine the amount and accuracy of the match balances recorded.

Based on performance of the above procedures, OSAE staff determined the following:

- For a majority of its grant programs, OCJP required its subrecipients to provide matching funds through OCJP's RFAs and RFPs. The amounts required as stated in the RFAs and RFPs complied with federal requirements. However, for certain grant programs, OCJP used state funds to meet the federal requirements. Because federal requirements only state that *non-federal funds* be used to meet the match requirements, OCJP complied with federal requirements.
- The total match provided by subrecipients for all open grant programs as of December 2003, per OCJP's accounting records, is approximately \$29,781,000. This balance reflects *unaudited* match totals as reported to OCJP by its subrecipients. Refer to the Desk Reviews of Subrecipient Audit Reports section of this report for OSAE's analysis of *audited* match balances, as reported by OCJP's subrecipients.

Eligibility

- Reviewed OCJP's RFAs and RFPs to determine if OCJP made funds available to eligible subrecipients in accordance with the federal program guidelines.

OSAE staff reviewed a sample of approved subrecipient RFAs and RFPs from several grant programs for fiscal years 2000-01, 2001-02, and 2002-03. Based on this review, OCJP made funds available to eligible subrecipients in accordance with federal program guidelines.

Support Costs

- Identified support costs allowed based on the federal program guidelines and federal award documents.
- Determined OCJP's budgeted amount for support costs for each federal grant open as of September 30, 2003.
- Reviewed the Indirect Cost Rate Proposal (ICRP) methodology and approval status.
- Compared the support expenditures to the budgeted amounts as part of the expenditures review for the accounting reconstruction portion of the project.

OCJP did not submit an ICRP for fiscal year 2003-04 to its cognizant federal agency. Refer to section N of this report for further details regarding the lack of submittal of the ICRP.

In testing the support costs, OSAE staff compared actual costs as reported in CALSTARS to both the budget for support in the OCJP federal grant applications and the regulatory cap on support costs identified in official program guidance. As mentioned briefly in section N of this report, OCJP exceeded the regulatory cap requirements for support costs for the following federal grants:

Federal Grant	Federal Program	Support Cost Cap	Actual Support	Variance
2002-WF-BX-0035	Stop Violence Against Women	\$618,000	\$1,125,000	\$507,000
G0201CAFVPS	Family Violence	359,000	426,000	67,000
Totals		\$977,000	\$1,551,000	\$574,000

Based on the variances identified in this testing, OSAE staff made adjustments to expenditures reported in Appendix D. In addition, OSAE staff noted small variances between the support budget in the federal application and actual costs that did not exceed the regulatory cap. These variances have not been included in the expenditure figures provided in Appendix D. The final determination of penalties, if any, for OCJP's noncompliance with the federal requirements for support costs depends on negotiations between OES and the federal agencies.

Fund Allocation

- Identified federal grant programs that require specific allocation of funds among targeted groups.
- Determined whether the required allocation among targeted groups was met.

Of the total grant program awards received by OCJP, five programs had funding allocation requirements:

- Victims of Crime Act Program (VOCA)
- Stop Violence Against Women Program (VAWA)
- Byrne Formula Grant Program (BYRNE)

- Residential Substance Abuse Treatment Grant Program (RSAT)
- Family Violence Program (FVPS)

According to the federal requirements for these grant programs, OCJP must allocate a certain percentage of these funds to each specific target group. Based on OSAE staff's analysis, OCJP appropriately allocated the grant funds received per federal guidelines with the exception of the following:

Grant Award	Federal Requirement (%)	OCJP Allocation (%)
<i>VAWA 2001</i>		
Law Enforcement Category	25	22
Prosecution Category	25	22
Court Category	5	4
<i>VAWA 2002</i>		
Law Enforcement Category	25	21

The final determination of penalties, if any, for OCJP's noncompliance with the federal requirements for funding allocation depends on negotiations between OES and the federal agency.

OCJP's Compliance as an Awarding Agency

During the review of OCJP's compliance as a direct recipient of federal funds, OSAE staff identified five federal grant programs that required subrecipient matching expenditures. For these five federal grant programs, OSAE staff reviewed the OCJP RFAs and RFPs, OCJP Annual Plans, and federal program guidelines to identify OCJP's requirements of subrecipients and compliance areas that could have a fiscal impact to the state. The specific procedures performed for each compliance requirement and results follow:

Match

- Determined that the VOCA, VAWA, Local Law Enforcement Grants (LLEG), RSAT, and FVPS grants require matching expenditures from the subrecipient.
- Reviewed 210 subrecipient files to determine whether the contract award document reflected the RFA and RFP match requirements.

OSAE's original approach to evaluating the matching expenditures was to compare the matching expenditures reported by the subrecipients to the matching expenditures claimed by OCJP. However, the OCJP records were not sufficient to complete this review. As an alternative, OSAE staff evaluated OCJP's plan for meeting match requirements.

Overall, OCJP planned to meet the matching requirements as follows:

- Require subrecipients to meet specified levels of matching expenditures.
- Designation of state funds allocated to the Department of Justice (DOJ), Bureau of Narcotics Enforcement (BNE), as matching expenditures.
- Designation of other OCJP State funded programs as matching expenditures.

To evaluate whether the grantees met their match requirements, OSAE staff performed desk reviews of the subrecipient audit reports in which the certified public accountants reported the expenditures and matching costs of the subrecipients. See the Desk Reviews of Subrecipient Audit Reports section of the report for information regarding the desk review process. Additionally, OSAE staff assisted OES in obtaining written confirmation from DOJ that the BNE funds designated as match were expended and were not used to meet any other federal matching requirements. While it appears that the OCJP strategy for meeting the matching requirements was sufficient, the results of the audit resolution activities will illustrate whether the match requirements were actually met.

FVPS Grant Program - For the FVPS grant program, OCJP elected to use a matching methodology whereby match is determined as a percentage of funds allocated to the project. Federal requirements specified that match be determined as percentage of total project costs. The difference in funding methodologies resulted in OCJP not meeting the federal match requirement for the FVPS program by \$300,000.

Although the methodology elected by OCJP did not comply with federal requirements, it is a methodology elected and in use by several states. OES is currently negotiating with the federal agency regarding the match calculated per OCJP's methodology. The federal agency for the FVPS grant program is aware of the common use of the allocation method and is taking this fact into consideration during its negotiation with OES.

Eligibility

- Identified grantee eligibility requirements documented in the RFA and RFP.
- Reviewed subrecipient files to determine whether the subrecipient was eligible to receive funding.

OSAE staff did not observe any instances of noncompliance for eligibility requirements of its subrecipients.

Funding Period

- Compared the funding period of the subrecipient awards to the project period of the federal funds obligated.

OSAE staff did not observe any instances of noncompliance for funding period requirements of its subrecipient awards.

Program Compatibility

- Reviewed the subrecipient funding sources based upon the grant award document to determine whether the grant purpose was compatible with the federal program purposes.

OSAE staff did not observe any instances of noncompatibility of subrecipient awards with the purposes of the grant program.

DESK REVIEWS OF SUBRECIPIENT AUDIT REPORTS

Each year the subrecipients are required to submit an audit which reports on their expenditures, internal controls, and compliance with program requirements. The Governor's Office of Emergency Services' (OES) Internal Audit Unit performs desk reviews of the audit reports to meet the following objectives:

- Determine whether the report is in conformance with the Office of Management and Budget (OMB) Circular A-133, *Government Auditing Standards* (GAS), or the Office of Criminal Justice Planning (OCJP) reporting requirements, as applicable.
- Evaluate whether the expenditures certified in the report are less than, equal to, or greater than the funds paid to the subrecipient. If the funds paid to the subrecipient exceed the expenditures reported in the audit report, the excess funds may be required to be returned to OES.
- Assess whether the required matching expenditures were certified in the report. If the matching requirements are not met, the grantee may be required to take corrective actions.
- Identify findings in the reports that require resolution including the return of costs questioned by the certified public accountant that prepared the audit report.

The results of the above procedures assisted in the accounting reconstruction efforts and review of matching requirements as follows:

- Identification of the certified expenditures in the audit reports assisted in determining whether the expenditure amounts recorded in the California State Accounting and Reporting System (CALSTARS) can be relied upon.
- Identification of the certified matching expenditures assisted in determining whether OCJP met the matching requirements.
- Identification of the questioned costs included in the audit reports assisted in evaluating the components of the accounts receivables.

OSAE staff reviewed the audit reports for 1,030 grants received by the OES Internal Audit Unit before November 1, 2003. Of these, the OES internal audit staff had already reviewed 157 grants. The OSAE staff and OES internal auditors reviewed the audit reports that included information on 722 additional grants. For the remaining 151 grants, the related Report of Expenditures and Request for Funds form (OCJP 201) could not be located; therefore, the review could not be completed. However, for the purposes of the accounting reconstruction and review of matching compliance, OSAE staff determined that the 879 (157 + 722) grants that were reviewed would provide sufficient information to meet the project objectives.

For the accounting reconstruction and compliance with matching requirements portion of the engagement, OSAE implemented a streamlined approach to review the audit reports. Specifically, OSAE performed the following steps:

- Based on a comparison of the expenditures certified in the audit report to the OCJP 201 forms, OSAE staff determined whether the reported expenditures were less than,

equal to, or greater than the funds paid to the agency. If the agency was paid more than was certified as expended, OSAE staff recorded this amount as an expenditure variance.

- For the matching expenditures, the same procedures as noted above were followed. If the single audit report certified less matching expenditures than was required by their grant contract, we recorded this amount as a matching variance.
- If variances were identified based upon the above two steps, the report was also reviewed for compliance with the OMB Circular A-133, GAS, or OCJP Grantee Handbook reporting requirements, as applicable. If no variances were identified in the above two steps, the evaluation of whether the applicable reporting requirements were met will be postponed until after the accounting reconstruction and the review of federal grant requirements is complete. The OES internal auditors are responsible for performing this postponed portion of the review.
- Identified the questioned costs reported and evaluated whether it was appropriate to record the questioned costs as an accounts receivable.

During the completion of the above steps, OSAE encountered several challenges. First, the certified public accountants did not always report the expenditures and match by cost category as required by OCJP. Additionally, 30 percent (262/879) of the time the match expenditures were not reported separately from the reimbursed expenditures. This could indicate the following scenarios:

- The grantee met the matching requirements, but the certified public accountant reported the reimbursed and matching expenditures in one category.
- The grantee met the matching requirements, but the certified public accountant did not include the expenditures that exceeded the reimbursements in the report.
- The grantee did not meet the matching requirements.

When the audit report failed to separately report the match expenditures, we assumed that the subrecipient met the matching requirements if the total grant expenditures reported equaled or exceeded the total grant and match expenditures reported on the OCJP 201 form. However, we documented this situation as a reporting requirement that the affected subrecipients should correct.

Prior to January 1, 2004, the OCJP Internal Audit Unit staff sent letters to each subrecipient indicating whether the audit report was accepted or whether additional documentation was required to resolve reporting inconsistencies or findings. The files were then transferred to the Audit Resolution Unit which made the final determination of whether the compliance issues were resolved, or whether any questioned costs should be recorded as an accounts receivable with an invoice issued to the subrecipient. When OCJP was abolished on January 1, 2004, the Audit Resolution Unit was eliminated in the process.

The OES internal auditors should continue to issue follow-up letters to the subrecipients either accepting the audit report or requesting additional documentation to resolve any reporting inconsistencies or findings. OES will need to determine organizationally how it wishes to address the resolution of the audit findings and questioned costs.

CONCLUSIONS

The accounting reconstruction and compliance work was performed to ensure that the requirements of the federal agencies are met in order for the Governor's Office of Emergency Services (OES) to continue to receive funding and ensure payment to the subrecipients.

During the course of this project, OSAE staff communicated regularly with the OES and the Board of Corrections (BOC) management to update them regarding the progress of the project and any issues identified. As a result, the recommended accounting adjustments to correct the accounting records will be provided to OES Management. Additionally, the compliance issues are identified so that OES management can implement any required corrective actions.

In order to correct the accounting records and address the identified compliance issues, OES staff should complete the following tasks:

- Review the recommended California State Accounting and Reporting System (CALSTARS) accounting adjustments and determine whether transactions subsequent to December 31, 2003 affect the recommended entries.
- Enter the transactions required to update the accounting records in CALSTARS.
- Send letters to the subrecipients with reporting discrepancies identified during the desk reviews requesting additional information, evaluate any information received, and determine whether any of the discrepancies should be invoiced and classified as accounts receivables.
- Require the subrecipients to resolve any compliance findings or questioned costs reported by the certified public accountants.
- Communicate with the applicable federal agencies to resolve any outstanding issues or concerns.

While performing the above procedures, OSAE staff identified the following additional recommendations:

- Require the OES Internal Audit Unit to report directly to the Chief Deputy Director or Director to ensure that any audit findings are reported to the appropriate level within OES and are timely addressed. Additionally, this will allow the Internal Audit Unit to meet the independence requirements of the Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors.
- Request the OES Internal Audit Unit to perform internal control audits as required by the Financial Integrity and State Managers Act of 1983 (FISMA). FISMA requires that an internal control audit be completed every two years with the report submitted to the Department of Finance, Office of State Audits and Evaluations, no later than December 31 of each odd-numbered year.

This report is intended for the information and use of the Joint Legislative Budget Committee, Senate Appropriations Committee, Department of Finance, OES, and BOC; and is not intended to be and should not be used by anyone other than the specified parties. However, the report is a matter of public record and its distribution is not limited.

APPENDIX A

Office of Criminal Justice Planning Accounting Reconstruction and Review of Federal Grant Requirements Adjusted Post Closing Trial Balance As of December 31, 2003

General Ledger Description	Number	General Fund (Fund 0001)			Asset Forfeiture Distribution Fund (Fund 0196)		
		Original Balance	Adjustments	Adjusted Balance	Original Balance	Adjustments	Adjusted Balance
General Cash	1110	6,230	-	6,230	91	(78)	13
Revolving Fund	1130	95	-	95	-	-	-
Cash in State Treasury	1140	-	-	-	-	-	-
Cash in Transit to State Treasury	1150	-	-	-	-	-	-
Cash on Hand	1190	-	-	-	-	-	-
Deposits in SMIF	1210	-	-	-	-	-	-
Accounts Receivable - Abatements	1311	2	-	2	-	-	-
Accounts Receivable Dishonored Checks	1315	-	-	-	-	-	-
Accounts Receivable Other	1319	499	(4)	495	-	-	-
Accounts Receivable Audit Exceptions	1340	222	42	265	-	-	-
Due From Other Funds or Appropriations	1400	2,865	(1,530)	1,335	-	-	-
Due From Other Governments	1500	-	-	-	-	-	-
Provision for Deferred Receivable	1600	(721)	-	(721)	-	-	-
Expense Advance	1710	112	-	112	-	-	-
Travel Advances	1712	20	-	20	-	-	-
Salary Advances	1714	(41)	-	(41)	-	-	-
Prepay to Other Funds & Approp	1730	18	-	18	-	-	-
Prepayments to Other Governments	1740	6,309	-	6,309	-	-	-
Prepayments to Other Non-Governments	1750	(5,528)	-	(5,528)	-	-	-
Equipment	2341	-	-	-	-	-	-
Accounts Payable	3010	(158)	-	(158)	-	-	-
Claims Filed	3020	(52)	-	(52)	-	-	-
Claims in Progress	3021	-	-	-	-	-	-
Due to Other Funds or Appropriations	3110	(1,156)	-	(1,156)	-	-	-
Liabilities for Deposits	3500	-	-	-	-	-	-
Uncleared Collections	3730	(5,212)	-	(5,212)	(13)	-	(13)
Investment if General Fixed Assets	5200	-	-	-	-	-	-
Reserved for Prepaid Items	5330	(781)	-	(781)	-	-	-
Fund Balance - Unappropriated	5530	-	-	-	(5,498)	-	(5,498)
Fund Balance Clearing Account	5570	(2,721)	1,491	(1,230)	5,420	78	5,498

Amounts in thousands, differences due to rounding

General Ledger Description	Number	Rural Health Care Equity Trust Fund (Fund 0197)			Local Prosecutors/Deeders Training Fund (Fund 0241)		
		Original Balance	Adjustments	Adjusted Balance	Original Balance	Adjustments	Adjusted Balance
General Cash	1110	-	-	-	-	-	-
Revolving Fund	1130	-	-	-	-	-	-
Cash in State Treasury	1140	-	-	-	(130)	72	(58)
Cash in Transit to State Treasury	1150	-	-	-	-	-	-
Cash on Hand	1190	-	-	-	-	-	-
Deposits in SMIF	1210	-	-	-	575	-	575
Accounts Receivable - Abatements	1311	-	-	-	-	-	-
Accounts Receivable Dishonored Checks	1315	-	-	-	-	-	-
Accounts Receivable Other	1319	-	-	-	-	-	-
Accounts Receivable Audit Exceptions	1340	-	-	-	7	-	7
Due From Other Funds or Appropriations	1400	-	-	-	-	-	-
Due From Other Governments	1500	-	-	-	-	-	-
Provision for Deferred Receivable	1600	-	-	-	(7)	-	(7)
Expense Advance	1710	-	-	-	-	-	-
Travel Advances	1712	-	-	-	-	-	-
Salary Advances	1714	-	-	-	-	-	-
Prepay to Other Funds & Approp	1730	-	-	-	-	-	-
Prepayments to Other Governments	1740	-	-	-	-	-	-
Prepayments to Other Non-Governments	1750	-	-	-	(55)	-	(55)
Equipment	2341	-	-	-	-	-	-
Accounts Payable	3010	-	-	-	-	-	-
Claims Filed	3020	-	-	-	-	-	-
Claims in Progress	3021	-	-	-	-	-	-
Due to Other Funds or Appropriations	3110	-	-	-	(10)	8	(3)
Liabilities for Deposits	3500	-	-	-	-	-	-
Uncleared Collections	3730	-	-	-	-	-	-
Investment if General Fixed Assets	5200	-	-	-	-	-	-
Reserved for Prepaid Items	5330	-	-	-	55	-	55
Fund Balance - Unappropriated	5530	-	-	-	(435)	(80)	(515)
Fund Balance Clearing Account	5570	-	-	-	-	-	-

Amounts in thousands, differences due to rounding

General Ledger Description	Number	Peace Officers Training Fund (Fund 0268)			Victim Witness Assitance Fund (Fund 0425)		
		Original Balance	Adjustments	Adjusted Balance	Original Balance	Adjustments	Adjusted Balance
General Cash	1110	-	-	-	35	-	35
Revolving Fund	1130	-	-	-	-	-	-
Cash in State Treasury	1140	(2,749)	-	(2,749)	(1,494)	725	(769)
Cash in Transit to State Treasury	1150	-	-	-	-	-	-
Cash on Hand	1190	-	-	-	-	-	-
Deposits in SMIF	1210	-	-	-	6,846	-	6,846
Accounts Receivable - Abatements	1311	-	-	-	-	-	-
Accounts Receivable Dishonored Checks	1315	-	-	-	-	-	-
Accounts Receivable Other	1319	-	-	-	29	-	29
Accounts Receivable Audit Exceptions	1340	-	-	-	303	-	303
Due From Other Funds or Appropriations	1400	-	-	-	-	-	-
Due From Other Governments	1500	-	-	-	-	-	-
Provision for Deferred Receivable	1600	-	-	-	(333)	-	(333)
Expense Advance	1710	-	-	-	-	-	-
Travel Advances	1712	-	-	-	-	-	-
Salary Advances	1714	-	-	-	-	-	-
Prepay to Other Funds & Approp	1730	-	-	-	-	-	-
Prepayments to Other Governments	1740	-	-	-	(55)	-	(55)
Prepayments to Other Non-Governments	1750	67	-	67	43	-	43
Equipment	2341	-	-	-	-	-	-
Accounts Payable	3010	-	-	-	-	-	-
Claims Filed	3020	-	-	-	-	-	-
Claims in Progress	3021	-	-	-	-	-	-
Due to Other Funds or Appropriations	3110	-	-	-	(267)	226	(41)
Liabilities for Deposits	3500	-	-	-	-	-	-
Uncleared Collections	3730	-	-	-	-	-	-
Investment if General Fixed Assets	5200	-	-	-	-	-	-
Reserved for Prepaid Items	5330	(67)	-	(67)	12	-	12
Fund Balance - Unappropriated	5530	2,749	-	2,749	(5,119)	(951)	(6,070)
Fund Balance Clearing Account	5570	-	-	-	-	-	-

Amounts in thousands, differences due to rounding

General Ledger Description	Number	Hazardous Waste Enforcement Training Fund (Fund 0430)			High Technology Theft Apprehension and Prosecution Program Trust Fund (Fund 0597)		
		Original Balance	Adjustments	Adjusted Balance	Original Balance	Adjustments	Adjusted Balance
General Cash	1110	-	-	-	-	-	-
Revolving Fund	1130	-	-	-	-	-	-
Cash in State Treasury	1140	-	-	-	16,229	(7,144)	9,085
Cash in Transit to State Treasury	1150	-	-	-	-	-	-
Cash on Hand	1190	-	-	-	-	-	-
Deposits in SMIF	1210	-	-	-	-	-	-
Accounts Receivable - Abatements	1311	-	-	-	-	-	-
Accounts Receivable Dishonored Checks	1315	-	-	-	-	-	-
Accounts Receivable Other	1319	-	-	-	-	-	-
Accounts Receivable Audit Exceptions	1340	-	-	-	-	-	-
Due From Other Funds or Appropriations	1400	-	-	-	-	-	-
Due From Other Governments	1500	-	-	-	-	-	-
Provision for Deferred Receivable	1600	-	-	-	-	-	-
Expense Advance	1710	-	-	-	-	-	-
Travel Advances	1712	-	-	-	-	-	-
Salary Advances	1714	-	-	-	-	-	-
Prepay to Other Funds & Approp	1730	-	-	-	-	-	-
Prepayments to Other Governments	1740	-	-	-	-	-	-
Prepayments to Other Non-Governments	1750	-	-	-	-	-	-
Equipment	2341	-	-	-	-	-	-
Accounts Payable	3010	-	-	-	-	-	-
Claims Filed	3020	-	-	-	-	-	-
Claims in Progress	3021	-	-	-	-	-	-
Due to Other Funds or Appropriations	3110	-	-	-	(95)	1	(94)
Liabilities for Deposits	3500	-	-	-	-	-	-
Uncleared Collections	3730	-	-	-	-	-	-
Investment if General Fixed Assets	5200	-	-	-	-	-	-
Reserved for Prepaid Items	5330	-	-	-	-	-	-
Fund Balance - Unappropriated	5530	-	-	-	(16,134)	7,143	(8,992)
Fund Balance Clearing Account	5570	-	-	-	-	-	-

Amounts in thousands, differences due to rounding

General Ledger Description	Number	Public Building Construction Fund (Fund 0660)			Federal Trust Fund (Fund 0890)		
		Original Balance	Adjustments	Adjusted Balance	Original Balance	Adjustments	Adjusted Balance
General Cash	1110	-	-	-	412	-	412
Revolving Fund	1130	-	-	-	-	-	-
Cash in State Treasury	1140	25	(25)	-	(6,539)	9,612	3,073
Cash in Transit to State Treasury	1150	-	-	-	4,687	-	4,687
Cash on Hand	1190	-	-	-	-	-	-
Deposits in SMIF	1210	-	-	-	-	-	-
Accounts Receivable - Abatements	1311	-	-	-	-	-	-
Accounts Receivable Dishonored Checks	1315	-	-	-	-	-	-
Accounts Receivable Other	1319	-	-	-	1,716	-	1,716
Accounts Receivable Audit Exceptions	1340	-	-	-	217	163	380
Due From Other Funds or Appropriations	1400	-	-	-	-	-	-
Due From Other Governments	1500	-	-	-	2	(2)	-
Provision for Deferred Receivable	1600	-	-	-	(1,935)	-	(1,935)
Expense Advance	1710	-	-	-	-	-	-
Travel Advances	1712	-	-	-	-	-	-
Salary Advances	1714	-	-	-	-	-	-
Prepay to Other Funds & Approp	1730	-	-	-	-	-	-
Prepayments to Other Governments	1740	-	-	-	480	-	480
Prepayments to Other Non-Governments	1750	-	-	-	(497)	-	(497)
Equipment	2341	-	-	-	-	-	-
Accounts Payable	3010	-	-	-	-	-	-
Claims Filed	3020	-	-	-	-	-	-
Claims in Progress	3021	-	-	-	-	-	-
Due to Other Funds or Appropriations	3110	-	-	-	(2,463)	1,334	(1,130)
Liabilities for Deposits	3500	-	-	-	-	-	-
Uncleared Collections	3730	-	-	-	(331)	-	(331)
Investment if General Fixed Assets	5200	-	-	-	-	-	-
Reserved for Prepaid Items	5330	-	-	-	17	-	17
Fund Balance - Unappropriated	5530	-	-	-	4,233	(11,106)	(6,873)
Fund Balance Clearing Account	5570	(25)	25	-	-	-	-

Amounts in thousands, differences due to rounding

General Ledger Description	Number	State Penalty Fund (Fund 0903)			Special Deposit Fund (Fund 0942)		
		Original Balance	Adjustments	Adjusted Balance	Original Balance	Adjustments	Adjusted Balance
General Cash	1110	-	-	-	-	-	-
Revolving Fund	1130	-	-	-	-	-	-
Cash in State Treasury	1140	10,436	5,194	15,630	-	-	-
Cash in Transit to State Treasury	1150	-	-	-	-	-	-
Cash on Hand	1190	-	-	-	-	-	-
Deposits in SMIF	1210	-	-	-	23,532	(21,371)	2,161
Accounts Receivable - Abatements	1311	-	-	-	-	-	-
Accounts Receivable Dishonored Checks	1315	-	-	-	-	-	-
Accounts Receivable Other	1319	-	-	-	-	-	-
Accounts Receivable Audit Exceptions	1340	-	-	-	-	-	-
Due From Other Funds or Appropriations	1400	-	-	-	-	-	-
Due From Other Governments	1500	-	-	-	-	-	-
Provision for Deferred Receivable	1600	-	-	-	-	-	-
Expense Advance	1710	-	-	-	-	-	-
Travel Advances	1712	-	-	-	-	-	-
Salary Advances	1714	-	-	-	-	-	-
Prepay to Other Funds & Approp	1730	-	-	-	-	-	-
Prepayments to Other Governments	1740	-	-	-	-	-	-
Prepayments to Other Non-Governments	1750	-	-	-	-	-	-
Equipment	2341	-	-	-	-	-	-
Accounts Payable	3010	-	-	-	-	-	-
Claims Filed	3020	-	-	-	-	-	-
Claims in Progress	3021	-	-	-	-	-	-
Due to Other Funds or Appropriations	3110	-	10,436	10,436	-	-	-
Liabilities for Deposits	3500	-	-	-	(17,878)	17,878	-
Uncleared Collections	3730	-	-	-	-	-	-
Investment if General Fixed Assets	5200	-	-	-	-	-	-
Reserved for Prepaid Items	5330	-	-	-	-	-	-
Fund Balance - Unappropriated	5530	(10,436)	(15,630)	(26,066)	(5,655)	3,493	(2,161)
Fund Balance Clearing Account	5570	-	-	-	-	-	-

Amounts in thousands, differences due to rounding

General Ledger Description	Number	General Fixed Asset Account Group (Fund 0997)			Antiterrorism Fund (Fund 3034)		
		Original Balance	Adjustments	Adjusted Balance	Original Balance	Adjustments	Adjusted Balance
General Cash	1110	-	-	-	-	-	-
Revolving Fund	1130	-	-	-	-	-	-
Cash in State Treasury	1140	-	-	-	1,378	83	1,460
Cash in Transit to State Treasury	1150	-	-	-	-	-	-
Cash on Hand	1190	-	-	-	-	-	-
Deposits in SMIF	1210	-	-	-	-	-	-
Accounts Receivable - Abatements	1311	-	-	-	-	-	-
Accounts Receivable Dishonored Checks	1315	-	-	-	-	-	-
Accounts Receivable Other	1319	-	-	-	-	-	-
Accounts Receivable Audit Exceptions	1340	-	-	-	-	-	-
Due From Other Funds or Appropriations	1400	-	-	-	-	-	-
Due From Other Governments	1500	-	-	-	-	-	-
Provision for Deferred Receivable	1600	-	-	-	-	-	-
Expense Advance	1710	-	-	-	-	-	-
Travel Advances	1712	-	-	-	-	-	-
Salary Advances	1714	-	-	-	-	-	-
Prepay to Other Funds & Approp	1730	-	-	-	-	-	-
Prepayments to Other Governments	1740	-	-	-	-	-	-
Prepayments to Other Non-Governments	1750	-	-	-	-	-	-
Equipment	2341	820	-	820	-	-	-
Accounts Payable	3010	-	-	-	-	-	-
Claims Filed	3020	-	-	-	-	-	-
Claims in Progress	3021	-	-	-	-	-	-
Due to Other Funds or Appropriations	3110	-	-	-	-	-	-
Liabilities for Deposits	3500	-	-	-	-	-	-
Uncleared Collections	3730	-	-	-	-	-	-
Investment if General Fixed Assets	5200	(820)	-	(820)	-	-	-
Reserved for Prepaid Items	5330	-	-	-	-	-	-
Fund Balance - Unappropriated	5530	-	-	-	(1,378)	(83)	(1,460)
Fund Balance Clearing Account	5570	-	-	-	-	-	-

Amounts in thousands, differences due to rounding

**Office of Criminal Justice Planning
Accounting Reconstruction and Review of Federal Grant Requirements
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CFDA #	Federal Grant #	Federal Program	Federal Project Period	Total Award
Public Safety Division				
16.579	2000-DB-MU-0006	FY 2000 Byrne Formula Grant Program	10/01/1999 - 09/30/2003	\$ 51,529
16.579	2001-DB-BX-0006	FY 2001 Byrne Formula Grant Program	10/01/2000 - 09/30/2003	51,592
16.579	2002-DB-BX-0006	FY 2002 Byrne Formula Grant Program	10/01/2001 - 09/30/2005	50,933
16.579	2003-DB-BX-0013	FY 2003 Byrne Formula Grant Program	10/01/2002 - 09/30/2006	51,259
				205,314
16.592	2001-LB-BX-1239	FY 2001 Local Law Enforcement Bk. Grants	10/01/2000 - 09/30/2002	1,048
16.592	2002-LB-BX-0868	FY 2002 Local Law Enforcement Bk. Grants	10/01/2001 - 09/30/2003	981
16.592	2003-LB-BX-1266	FY 2003 Local Law Enforcement Bk. Grants	10/01/2002 - 10/31/2004	1,133
				3,162
16.593	2001-RT-BX-0053	FY 2001 Residential Subst. Abuse Tr. Grant	10/01/2000 - 09/30/2003	6,212
16.593	2002-RT-BX-0034	FY 2002 Residential Subst. Abuse Tr. Grant	10/01/2001 - 09/30/2004	6,802
16.593	2003-RT-BX-0007	FY 2003 Residential Subst. Abuse Tr. Grant	10/01/2002 - 09/30/2006	6,076
				19,090
16.560	2003-DN-BX-0006	FY 2003 Paul Coverdell Forensic Sci. Act	01/01/2003 - 09/30/2004	392
				392
16.609	2003-GP-CX-0193	FY 2003 Project Safe Neighborhoods (Central)	07/01/2003 - 06/30/2005	1,300
16.609	2003-GP-CX-0540	FY 2003 Project Safe Neighborhoods (Northern)	10/01/2002 - 09/30/2005	1,300
				2,600
Subtotal - Public Safety Division				\$ 230,558

Amounts in thousands, differences due to rounding
CFDA = Catalog of Federal Domestic Assistance Number

Office of Criminal Justice Planning
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CFDA #	Federal Grant #	Federal Program	Federal Project Period	Total Award
Victims' Services Division				
Direct Federal Funds				
16.588	2001-WF-BX-0016	Stop Violence Against Women Grant (VAWA)	04/01/2001 - 03/31/2004	\$ 10,179
16.588	2002-WF-BX-0035	Stop Violence Against Women Grant (VAWA)	01/01/2002 - 12/30/2003	12,352
16.588	2003-WF-BX-0206	Stop Violence Against Women Grant (VAWA)	04/01/2003 - 03/31/2005	12,257
				34,788
16.575	2000-VA-GX-0006	FY 2000 Victims of Crime Act	10/01/1999 - 09/30/2003	41,329
16.575	2001-VA-GX-0006	FY 2001 Victims of Crime Act	10/01/2000 - 09/30/2004	40,440
16.575	2002-VA-GX-0006	FY 2002 Victims of Crime Act	10/01/2001 - 09/30/2005	42,709
16.575	2003-VA-GX-0025	FY 2003 Victims of Crime Act	10/01/2002 - 09/30/2006	39,613
				164,091
16.589	2003-WR-BX-0010	FY 2003 Rural Domestic Violence/Child Vict.	10/01/2003 - 09/30/2005	544
				544
93.643	G0001CACJA-1	FY 2000 Children's Justice Act	09/11/2000 - 09/30/2003	846
93.643	G0101CACJA-1	FY 2001 Children's Justice Act	09/07/2001 - 09/30/2003	1,959
93.643	G0201CACJA-1	FY 2002 Children's Justice Act	09/06/2002 - 09/30/2005	1,967
93.643	G0301CACJA-1	FY 2003 Children's Justice Act	09/16/2003 - 09/30/2005	1,967
				6,739
93.671	G0201CAFPVS	FY 2002 Family Violence	10/01/2001 - 09/30/2003	7,181
93.671	G0301CAFPVS	FY 2003 Family Violence	05/15/2003 - 09/30/2004	7,387
93.671	G0401CAFPVS	FY 2004 Family Violence	04/01/2004 - 09/30/2005	7,373
				21,942
Subtotal - Direct Federal Funds				228,104
Pass-through Funds Provided by California Department of Health Services (CDHS) ¹				
93.991	2001-B1-CA-PRVS-01 ²	Rape Prevention & Education Program	10/01/2000 - 09/30/2002	5,650
93.991	2002-B1-CA-PRVS-02 ²	Rape Prevention & Education Program	10/01/2001 - 09/30/2003	797
93.991	2003-B1-CA-PRVS-03 ²	Rape Prevention & Education Program	10/01/2002 - 09/30/2004	793
				7,240
93.136	IA #01-15851	FY 2002 Federal Rape Prevention & Education	01/01/2002 - 10/31/2002	4,687
93.136	IA #01-15851	FY 2003 Federal Rape Prevention & Education	11/01/2002 - 10/31/2003	4,921
93.136	IA #01-15851	FY 2004 Federal Rape Prevention & Education	11/01/2003 - 10/31/2004	4,618
				14,226
Subtotal - Pass-through Funds				21,466
Subtotal - Victims' Services Division				249,570
Total Public Safety and Victims' Services Divisions				\$ 480,128

Amounts in thousands, differences due to rounding
CFDA = Catalog of Federal Domestic Assistance Number

¹ OCJP received pass-through federal funding from CDHS. These funds were considered federal funds for budgeting and other purposes. OES has since discontinued this practice and the funds are now appropriately treated as pass-through funds.

² Grant number provided is the federal grant between CDHS and the United State Department of Health and Human Services. The agreement between OCJP and CDHS was based on a memo.

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CFDA #	Federal Grant #	Federal Program	Federal Project Period	Total Award
Juvenile Justice Division				
16.549	2001-JE-FX-0006	DOJ-Challenge 2001	10/01/2000 - 09/30/2003	\$ 985
16.549	2002-JE-FX-0051	DOJ-Challenge 2002	10/01/2001 - 09/30/2004	967
				1,952
16.523	2000-JB-VX-0006	DOJ-Juvenile Acct. Incent. 2000	10/01/2000 - 09/30/2002	21,323
16.523	2001-JB-BX-0006	DOJ-Juvenile Acct. Incent. 2001	04/01/2002 - 03/31/2005	22,092
16.523	2002-JB-BX-0029	DOJ-Juvenile Acct. Incent. 2002	12/14/2002 - 12/13/2005	18,668
16.523	2003-JB-BX-0009	DOJ-Juvenile Acct. Incent. 2003	06/01/2003 - 11/30/2006	14,383
				76,466
16.540	1999-JF-FX-0006	DOJ-JJDP Title 2 -1999	10/01/1998 - 09/30/2002	8,656
16.540	2001-JF-FX-0006	DOJ-JJDP Title 2 -2001	10/01/2000 - 09/30/2003	8,366
16.540	2002-JF-FX-0006	DOJ-JJDP Title 2 -2002	10/01/2001 - 09/30/2004	8,431
				25,453
16.541	2001-JP-FX-0006	DOJ-JJDP Title 5 - 2001	10/01/2000 - 09/30/2003	4,765
16.541	2002-JP-FX-0052	DOJ-JJDP Title 5 - 2002	10/01/2001 - 09/30/2004	3,403
				8,168
Total - Juvenile Justice Division				\$ 112,039

Amounts in thousands, differences due to rounding
CFDA = Catalog of Federal Domestic Assistance Number

APPENDIX C

Office of Criminal Justice Planning Accounting Reconstruction and Review of Federal Grant Requirements 2000-01 Spending Authority for State Local Assistance Appropriations As of December 31, 2003

Program Number	Program Description	Final Spending Authority	Expenditures as of 12/31/03	Balance as of 12/31/03
8100-101-0001/General Fund				
50.20.102	Victims Legal Resources Center	\$ 173	\$ 173	\$ -
50.20.151	Domestic Violence Program	5,352	5,352	-
50.20.152	Family Violence Program	194	194	-
50.20.301	Rape Crisis Program	97	97	-
50.20.351	Homeless Youth Project	883	883	-
50.20.352	Youth Emergency Telephone Referral	337	337	-
50.20.353	Child Sexual Abuse & Exploitation Program	3	3	-
50.20.354	Child Sexual Abuse Prevention & Training	747	747	-
50.20.358	Child Abuse and Abduction Prevention	475	475	-
50.30.501	CA Community Crime Resistance Program	875	875	-
50.30.502	War on Methamphetamine/Against Marijuana Planting	-	-	-
50.30.503	Vertical Prosecution Grants	-	-	-
50.30.511	CA Career Apprehension Program	2,267	2,267	-
50.30.512	CA Career Criminal Prosecution Program	3,979	3,979	-
50.30.513	Major Narcotics Vendors Prosecution Program	2,586	2,586	-
50.30.514	Serious Habitual Offender Program	547	547	-
50.30.515	Vertical. Prosecution of Statutory Rape	8,293	8,293	-
50.30.516	Elder Abuse Vertical Prosecution	2,000	2,000	-
50.30.521	Child Sexual Abuse Prosecution Program	1,298	1,298	-
50.30.522	Evidentiary Medical Training	1,364	1,364	-
50.30.525	Child Justice Act	-	-	-
50.30.531	Vertical Defense	692	692	-
50.30.533	Calif. Innocence Protection Program	-	-	-
50.30.541	Public Prosecutors & Public Defenders/Legal Training	29	29	-
50.30.651	Suppression of Drug Abuse in Schools	3,319	3,319	-
50.30.661	Gang Violence Suppression	4,963	4,963	-
50.30.672	Multi-Agency Gang Enforcement Consortium	248	248	-
50.30.700	Special Projects--Public Safety/Local Forensic Lab	37,996	32,033	5,964 ¹
50.30.815	Rural Crime Prevention Program	3,029	3,029	-
50.30.900	Special Projects--Public Safety	-	-	-
Subtotal		81,747	75,783	5,964
Grand Total		\$ 81,747	\$ 75,783	\$ 5,964

Amounts in thousands, differences due to rounding

Note: Senate Bill 23 (SB 23) reappropriated the 2000-01 General Fund (8100-101-0001) making the encumbered funds available for liquidation.

¹ Of the remaining balance, \$4,394 was encumbered and available for liquidation.

Office of Criminal Justice Planning
Accounting Reconstruction and Review of Federal Grant Requirements
2001-02 Spending Authority for State Local Assistance Appropriations
As of December 31, 2003

Program Number	Program Description	Final Spending Authority	Expenditures as of 12/31/03	Balance as of 12/31/03
8100-101-0001/General Fund				
50.20.102	Victims Legal Resources Center	\$ 173	\$ 173	\$ -
50.20.151	Domestic Violence Program	3,460	3,393	67
50.20.152	Family Violence Program	194	194	-
50.20.301	Rape Crisis Program	101	101	-
50.20.351	Homeless Youth Project	883	883	-
50.20.352	Youth Emergency Telephone Referral	338	338	-
50.20.353	Child Sexual Abuse & Exploitation Program	3	3	-
50.20.354	Child Sexual Abuse Prevention & Training	672	670	2
50.20.358	Child Abuse and Abduction Prevention	-	-	-
50.30.501	CA Community Crime Resistance Program	923	875	48
50.30.502	War on Methamphetamine/Against Marijuana Planting	30,000	28,752	1,248
50.30.503	Vertical Prosecution Grants	-	-	-
50.30.511	CA Career Apprehension Program	2,308	2,072	236
50.30.512	CA Career Criminal Prosecution Program	3,987	3,987	-
50.30.513	Major Narcotics Vendors Prosecution Program	2,641	2,622	19
50.30.514	Serious Habitual Offender Program	547	501	46
50.30.515	Vertical. Prosecution of Statutory Rape	8,361	8,194	167
50.30.516	Elder Abuse Vertical Prosecution	2,000	1,913	87
50.30.521	Child Sexual Abuse Prosecution Program	1,304	1,286	18
50.30.522	Evidentiary Medical Training	1,364	1,236	128
50.30.525	Child Justice Act	75	75	-
50.30.531	Vertical Defense	692	659	33
50.30.533	Calif. Innocence Protection Program	800	759	41
50.30.541	Public Prosecutors & Public Defenders/Legal Training	29	29	-
50.30.651	Suppression of Drug Abuse in Schools	3,349	3,141	208
50.30.661	Gang Violence Suppression	5,529	5,204	325
50.30.672	Multi-Agency Gang Enforcement Consortium	248	248	-
50.30.700	Special Projects--Public Safety/Local Forensic Lab	25,000	20,970	4,030
50.30.815	Rural Crime Prevention Program	3,541	3,454	87
50.30.900	Special Projects--Public Safety	2,519	2,344	175
Subtotal		101,041	94,075	6,966
8100-101-0241/Local Public Prosecutors and Public Defenders Training Fund				
50.30.541	Public Prosecutors and Public Defenders	792	792	-
Subtotal		792	792	-
8100-101-0268/Office of Criminal Justice Planning				
50.30.700	Special Projects - Public Safety	5,000	2,682	2,318
Subtotal		5,000	2,682	2,318
8100-101-0425/Victim Witness Assistance Fund				
50.20.101	Victim-Witness Assistance Program	10,871	10,817	54
50.20.301	Rape Crisis Program	3,670	3,582	88
50.20.353	Child Sexual Abuse and Exploitation Program	978	975	3
Subtotal		15,519	15,374	145
8100-101-0597/High Technology Theft Apprehension and Prosecution Program Trust Fund				
High technology Theft Apprehension and Prosecution				
50.30.562	Program	13,518	12,858	660
Subtotal		13,518	12,858	660
Grand Total		\$ 135,870	\$ 125,781	\$ 10,089

Amounts in thousands, differences due to rounding

Note: SB 23 reappropriated these funds making them available for encumbrance and expenditures until June 2005.

Office of Criminal Justice Planning
Accounting Reconstruction and Review of Federal Grant Requirements
2002-03 Spending Authority for State Local Assistance Appropriations
As of December 31, 2003

Program Number	Program Description	Final Spending Authority	Expenditures as of 12/31/03	Balance as of 12/31/03
8100-101-0001/General Fund				
50.20.102	Victims Legal Resources Center	\$ 41	\$ 41	\$ -
50.20.151	Domestic Violence Program	730	746	(16)
50.20.152	Family Violence Program	50	50	-
50.20.301	Rape Crisis Program	50	50	-
50.20.351	Homeless Youth Project	396	396	-
50.20.352	Youth Emergency Telephone Referral	152	152	-
50.20.353	Child Sexual Abuse & Exploitation Program	-	-	-
50.20.354	Child Sexual Abuse Prevention & Training	302	204	98
50.20.358	Child Abuse and Abduction Prevention	-	-	-
50.30.501	CA Community Crime Resistance Program	231	169	62
50.30.502	War on Methamphetamine/Against Marijuana Planting	15,000	3,825	11,175
50.30.503	Vertical Prosecution Grants	-	-	-
50.30.511	CA Career Apprehension Program	866	63	803
50.30.512	CA Career Criminal Prosecution Program	3,637	3,595	42
50.30.513	Major Narcotics Vendors Prosecution Program	2,641	2,621	20
50.30.514	Serious Habitual Offender Program	137	95	42
50.30.515	Vertical. Prosecution of Statutory Rape	6,770	6,507	263
50.30.516	Elder Abuse Vertical Prosecution	2,000	541	1,459
50.30.521	Child Sexual Abuse Prosecution Program	1,304	1,220	84
50.30.522	Evidentiary Medical Training	648	4	644
50.30.525	Child Justice Act	75	-	75
50.30.531	Vertical Defense	172	164	8
50.30.533	Calif. Innocence Protection Program	800	555	245
50.30.541	Public Prosecutors & Public Defenders/Legal Training	8	8	-
50.30.651	Suppression of Drug Abuse in Schools	2,416	1,290	1,126
50.30.661	Gang Violence Suppression	3,058	1,681	1,377
50.30.672	Multi-Agency Gang Enforcement Consortium	93	93	-
50.30.700	Special Projects--Public Safety/Local Forensic Lab	-	-	-
50.30.815	Rural Crime Prevention Program	3,341	2,128	1,213
50.30.900	Special Projects--Public Safety	-	-	-
Subtotal		44,918	26,197	18,721
8100-101-0241/Local Public Prosecutors and Public Defenders Training Fund				
50.30.541	Public Prosecutors and Public Defenders	792	792	-
Subtotal		792	792	-
8100-101-0425/Victim Witness Assistance Fund				
50.20.101	Victim-Witness Assistance Program	10,871	10,737	134
50.20.301	Rape Crisis Program	3,670	3,668	2
50.20.353	Child Sexual Abuse and Exploitation Program	978	976	2
Subtotal		15,519	15,380	139
8100-101-0597/High Technology Theft Apprehension and Prosecution Program Trust Fund				
High technology Theft Apprehension and Prosecution				
50.30.562	Program	13,518	5,840	7,678
Subtotal		13,518	5,840	7,678
Grand Total		\$ 74,747	\$ 48,209	\$ 26,538

Amounts in thousands, differences due to rounding

Note: SB 23 reappropriated these funds making them available for encumbrance and expenditures until June 2005.

Office of Criminal Justice Planning
Accounting Reconstruction and Review of Federal Grant Requirements
2003-04 Spending Authority for State Local Assistance Appropriations
As of December 31, 2003

Program Number	Program Description	Enacted Budget	Expenditures as of 12/31/03	Balance as of 12/31/03
8100-101-0001/General Fund				
50.20.102	Victims Legal Resources Center	\$ 21	\$ -	\$ 21
50.20.151	Domestic Violence Program	365	-	365
50.20.152	Family Violence Program	25	-	25
50.20.301	Rape Crisis Program	25	-	25
50.20.351	Homeless Youth Project	198	180	18
50.20.352	Youth Emergency Telephone Referral	64	42	22
50.20.353	Child Sexual Abuse & Exploitation Program	-	-	-
50.20.354	Child Sexual Abuse Prevention & Training	151	23	128
50.20.358	Child Abuse and Abduction Prevention	-	-	-
50.30.501	CA Community Crime Resistance Program	116	28	88
50.30.502	War on Methamphetamine/Against Marijuana Planting	4,750	-	4,750
50.30.503	Vertical Procecuton Grants	4,088	531	3,557
50.30.511	CA Career Apprehension Program	433	-	433
50.30.512	CA Career Criminal Prosecution Program	69	-	69
50.30.513	Major Narcotics Vendors Prosecution Program	-	-	-
50.30.514	Serious Habitual Offender Program	324	-	324
50.30.515	Vertical. Prosecution of Statutory Rape	-	-	-
50.30.516	Elder Abuse Vertical Prosecution	-	-	-
50.30.521	Child Sexual Abuse Prosecution Program	-	-	-
50.30.522	Evidentiary Medical Training	-	-	-
50.30.525	Child Justice Act	38	-	38
50.30.531	Vertical Defense	86	40	46
50.30.533	Calif. Innocence Protection Program	-	-	-
50.30.541	Public Prosecutors & Public Defenders/Legal Training	4	2	2
50.30.651	Suppression of Drug Abuse in Schools	1,208	-	1,208
50.30.661	Gang Violence Suppression	1,529	105	1,424
50.30.672	Multi-Agency Gang Enforcement Consortium	47	47	-
50.30.700	Special Projects--Public Safety/Local Forensic Lab	-	-	-
50.30.815	Rural Crime Prevention Program	1,671	-	1,671
50.30.900	Special Projects--Public Safety	-	-	-
Subtotal		15,212	999	14,213
8100-101-0241/Local Public Prosecutors and Public Defenders Training Fund				
50.30.541	Public Prosecutors and Public Defenders	396	236	160
Subtotal		396	236	160
8100-101-0268/Office of Criminal Justice Planning				
50.30.700	Special Projects - Public Safety	-	-	-
Subtotal		-	-	-
8100-101-0425/Victim Witness Assistance Fund				
50.20.101	Victim-Witness Assistance Program	5,436	3,143	2,293
50.20.301	Rape Crisis Program	1,835	-	1,835
50.20.353	Child Sexual Abuse and Exploitation Program	489	171	318
Subtotal		7,760	3,313	4,447
8100-101-0597/High Technology Theft Apprehension and Prosecution Program Trust Fund				
High technology Theft Apprehension and Prosecution				
50.30.562	Program	6,759	-	6,759
Subtotal		6,759	-	6,759
Grand Total		\$ 30,127	\$ 4,548	\$ 25,579

Amounts in thousands, differences due to rounding

Note: This schedule includes appropriations to OCJP in the 2003-04 budget. Executive Order 03/04-45 appropriated funds to OES for these programs subsequent to the closure of OCJP. In order to provide a more accurate depiction of the unexpended balance as of December 31, 2003, the subsequent appropriations to OES are not included.

APPENDIX D

**Office of Criminal Justice Planning
Accounting Reconstruction and Review of Federal Grant Requirements
Comparison of Amounts Drawn to Amounts Expended on Federal Grant Awards
Public Safety and Victims' Services Division
As of December 31, 2003**

CFDA #	Federal Program	Total Draws as of 12/31/03	Total Adjusted Expenditures as of 12/31/03	Variance as of 12/31/03
Public Safety Division				
16.579	Byrne Formula Grant Program	\$ 158,255	\$ 158,032	\$ 223
16.592	Local Law Enforcement Block Grants	1,838	1,264	573
16.593	Residential Substance Abuse Treatment Grant	8,194	8,240	(46)
16.560	Paul Coverdell Forensic Sci. Act	303	303	-
16.609	Project Safe Neighborhoods (Central)	-	-	-
Subtotal Public Safety Division		168,589	167,839	750
Victims' Services Division				
Direct Federal Funds				
16.588	Stop Violence Against Women Grant	21,008	20,953 ¹	54
16.575	Victims of Crime Act	122,436	121,901	535
16.589	Rural Domestic Violence/Child Vict.	-	-	-
93.643	Children's Justice Act	3,379	3,438	(59)
93.671	Family Violence	7,748	7,702 ¹	45
Subtotal		154,570	153,995	575
Pass-through Funds				
93.991	Rape Prevention & Education Program	5,041	6,450	(1,410)
93.136	Federal Rape Prevention & Education	7,134	5,004	2,129
Subtotal		12,174	11,454	720
Subtotal Victims' Services Division		166,745	165,450	1,295
Total Public Safety and Victims' Services Divisions		\$ 335,334	333,289	\$ 2,045

Amounts in thousands, differences due to rounding
CFDA = Catalog of Federal Domestic Assistance Number

¹ Adjustments made to expenditure amounts to reflect reductions for support costs in excess of the federal cap.

Office of Criminal Justice Planning
Accounting Reconstruction and Review of Federal Grant Requirements
Comparison of Amounts Drawn to Amounts Expended on Federal Grant Awards
Juvenile Justice Division
As of December 31, 2003

CFDA #	Federal Grant #	Federal Program	Total Draw as of 12/31/03	Total Adjusted Expenditures as of 12/31/03	Variances	Amounts Refunded	Variance (Excess Draws Less Amounts Returned) ³
Juvenile Justice Division							
16.549	2001-JE-FX-0006	DOJ-Challenge 2001	\$ 950	926	\$ 24	24	\$ -
16.549	2002-JE-FX-0051	DOJ-Challenge 2002	463	463	-	-	-
Subtotal			1,413	1,388	24	24	-
16.523	2000-JB-VX-0006	DOJ-Juvenile Acct. Incent. 2000	21,323	21,289	34	34	-
16.523	2001-JB-BX-0006	DOJ-Juvenile Acct. Incent. 2001	22,092	20,504 ²	1,588	1,514	74
16.523	2002-JB-BX-0029	DOJ-Juvenile Acct. Incent. 2002	18,668	3,395 ²	15,273	15,243	30
16.523	2003-JB-BX-0009	DOJ-Juvenile Acct. Incent. 2003	-	-	-	-	-
Subtotal			62,083	45,188	16,895	16,791	104
16.540	1999-JF-FX-0006	DOJ-JJDP Title 2 -1999	8,593	8,508	84	43	41
16.540	2001-JF-FX-0006	DOJ-JJDP Title 2 -2001	7,955	7,954	1	-	1
16.540	2002-JF-FX-0006	DOJ-JJDP Title 2 -2002	4,897	4,852	45	83	(37)
Subtotal			21,444	21,314	130	126	4
16.541	2001-JP-FX-0006	DOJ-JJDP Title 5 - 2001	4,367	4,367	-	-	-
16.541	2002-JP-FX-0052	DOJ-JJDP Title 5 - 2002	1,179	1,183	(5)	-	(5)
Subtotal			5,546	5,551	(5)	-	(5)
Total Juvenile Justice Division			\$ 90,485	73,441	\$ 17,044	16,941	\$ 103

Amounts in thousands, differences due to rounding
CFDA = Catalog of Federal Domestic Assistance Number

² Expenditure has not been adjusted for unreported program income.

³ All programs in the Juvenile Justice Division were transferred to the BOC. All of the federal grants were closed out and amounts determined to be due to the federal government were returned.



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January 12, 2005

Mr. Samuel E. Hull, Chief
Office of State Audits and Evaluations
Department of Finance
915 L Street
Sacramento, CA 95814

Subject: Response to the Draft Report-Office of Criminal Justice Planning Accounting
Reconstruction and Review of Federal Grant Requirements

Dear Mr. Hull:

Thank you for the opportunity to comment on "A Special Report - Final Report on the Office of Criminal Justice Planning Accounting Reconstruction and Review of Federal Grant Requirements" prepared under contract to the Governor's Office of Emergency Services (OES). We appreciate that you and your staff were responsive to our request to review the accounting records of the Office of Criminal Justice Planning. Your report confirms our concerns about the fiscal integrity of the Office of Criminal Justice Planning when it was abolished and transferred to our office on January 1, 2004.

The report presents a thorough analysis of fiscal issues facing OES surrounding the transition of the Public Safety and Victim Services programs from OCJP. Many of the issues presented throughout the report reflect inadequate or non-existing administrative controls resulting in improper accounting and budgeting of OCJP activities. The report reflects the incomplete and incorrect accounting records, which impacted OES' ability to complete the day-to-day accounting activities, including the timely processing of recipients' reimbursement payments and the complete mandated quarterly financial reports to the federal agencies.

In accordance with the contract, OSAE performed specific non-audit services relating to the accounting records and federal grant compliance concerns. Work was categorized into four key areas:

- Accounting Reconstruction
- Federal and State Grant Requirements
- Compliance with Federal Grant Requirements
- Desk Reviews of Single Audit Reports

Within each of these categories, the report outlines the challenges OSAE encountered and identifies a significant number of issues. These issues, corrective steps and recommendations surround two main areas – accounting reconstruction and grant compliance. In order for OES to address the issues identified in this report and to ensure that these circumstances will not present themselves again, we are committed to taking the necessary steps and actions required. Many of which have already been implemented. For example, OES immediately discontinued the practice of

Mr. Samuel E. Hull, Chief
January 12, 2005
Page Two

awarding funds to subrecipients from previous fiscal years without budgetary authority and revised the recipient reimbursement claim form to accurately collect expenditure information by fund source(s).

However, it should be noted that OES is unable to maintain the day-to-day fiscal operations, in addition to the increased workload generated from this project without the expenditure of additional resources. The reconstruction project has resulted in a significant number of corrective entries that need to be made to the official accounting records. This work effort must be accomplished before OES can comply with federal reporting requirements and provide the State Controller's Office with the closing financial reports for the 2003-04 fiscal year. OES anticipates this work effort taking approximately 4 months to complete once all documentation is provided by OSAE.

In closing, I would like to state that OES will continue to adhere to all state and federal laws, rules, regulations and compliance guidelines governing grant and fiscal operations. We will continue to abide by these strict protocols as we move forward in addressing the issues identified in this report.

Our office would like to extend our gratitude and appreciation to your staff and all others who assisted in this effort for the many dedicated hours spent completing the contracted work.

Sincerely,

Original Signed By:

HENRY R. RENTERIA
Director

c: Mr. Scott Frizzie
Ms. Shelley Thomas
Ms. Nancy Kontos